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PRUDENT PLANNING OR WASTEFUL BINGE? A LOOK AT THE END OF THE YEAR SPENDING

HEARING

BEFORE THE

SUBCOMMITTEE ON FEDERAL SPENDING OVERSIGHT AND EMERGENCY MANAGEMENT

OF THE

COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS UNITED STATES SENATE

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PRUDENT PLANNING OR WASTEFUL BINGE? A LOOK AT THE END OF THE YEAR SPENDING

WEDNESDAY, SEPTEMBER 30, 2015

U.S. SENATE,
SUBCOMMITTEE ON FEDERAL SPENDING,
OVERSIGHT AND EMERGENCY MANAGEMENT,
OF THE COMMITTEE ON HOMELAND SECURITY
AND GOVERNMENTAL AFFAIRS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 2:30 p.m., in room SD–342, Dirksen Senate Office Building, Hon. Rand Paul, Chairman of the Subcommittee, presiding.

Present: Senators Paul, Lankford, Ernst, and Baldwin.

OPENING STATEMENT OF SENATOR PAUL

Senator PAUL. I call this hearing to order. Today we are going to be discussing wasteful spending. I think it is particularly appropriate since we have just gone through an escapade or a situation where we have basically continued to do more of the same without any changes, a continuing resolution (CR). And I think what we have failed to do through doing that is we have failed to look at particular problems like this one.

The problem we are going to look at today will not balance the budget, but it would certainly be something that we ought to start somewhere with trying to cut out wasteful spending.

So we are going to look today at the end-of-the-year government spending binge and how spending goes up at the end of the year. Today is the last day of the fiscal year (FY), and I think this should be of some concern.

All last week, and even all month, Federal agencies have been ramping up their spending. Many studies have shown this. One of the witnesses, Dr. Fichtner, has shown September spending will be nearly double that of August. Another study shows spending jumps nearly 500 percent over average in this last week. And in a clear effort to spend as much as possible, today's spending will move west in order to gain a few more hours in fiscal bingeing. West coast spending will be 70 percent higher today compared to spending in the east.

Today we are going to hear some examples of wasteful end-of-year purchases, and I will start with one that we have in our little Committee here. When I took over this Subcommittee and we moved into the new office, we found printer cartridges stacked almost to the ceiling for a printer that was years out of date. So we asked: "Why would someone with the knowledge of this buy all of this stuff? And why would it be still sitting around?" We found out that a previous Chairman, several Chairmen back bought the toner as part of an end-of-the-year spending binge, and that Senator has now been gone for years, but the toner still remains.

This practice will not continue under my chairmanship. This year I am again going to turn back in nearly half a million dollars from my own personal office budget. We are going to turn back money here in this Subcommittee as well. More than just talking about problems, we want to find solutions.

I have a possible solution or a way to help to end some of the wasteful spending, and this is called "Bonuses for Cost-Cutters Act." What it would do is reward Federal employees for identifying excess funds and to actually turn those funds back into the Treasury.

As you can imagine, appropriators from both parties are opposed to my bill, but we think it would be another way to go forward with trying to actually reduce some spending by giving people bonuses. If you are in the private marketplace and you can save money for your employer, you often get a bonus. Why don't we give people, instead of having the perverse incentive to spend it all at the end of the year, why don't we actually give you a bonus if you will turn it back in?

We have had a great deal of discussion on the floor about controlling the power of the purse and how having a continuing resolution does nothing to really exert our power of the purse. There are too many, though, I think, who often do not care what we buy or how much we spend of their money.

So another idea I have other than giving Federal employees bonuses is why don't we give contractors bonuses as well for coming under budget instead of having programs where we simply add cost plus whatever it takes to get a project finished. I think really it is important, if Congress is to assert its authority of the power of the purse, that we look in every nook and cranny of the budget and look for ways to save money. To me, even when I was not in office, we often heard at every level of use it or lose it, get rid of it, spend it, or you will not get it next year. And I think this still happens in government, and it has happened for a long time. And I for one hope that this Committee hearing will go a ways toward trying to stop this.

With that, I would like to recognize the Ranking Member, Senator Baldwin.

OPENING STATEMENT OF SENATOR BALDWIN

Senator BALDWIN. Thank you, Mr. Chairman.

Good afternoon. I want to welcome everyone here today. We are here today to discuss end-of-the-year spending at agencies throughout the Federal Government. I want to thank our witnesses who are here today, which we all know is the last day of the Federal fiscal year. I look forward to your testimony that I think will help put these spending patterns that will be talked about into some perspective.

The title of today's hearing is, "Prudent Planning or Wasteful Binge?" It suggests that this is the day that Federal agencies work through to spend what is left in their budgets, either as the result of managing funds to sustain unexpected costs or by any means necessary before the funds expire. And I imagine that if we were to check in with budget directors at Federal agencies this afternoon, they would have something else on their minds, and that is, whether the Federal Government will be open tomorrow.

No doubt that they are examining resources and preparing their operations for any number of scenarios, including a shutdown, no matter how close leaders in the House and Senate say they are to passing and reaching a final deal. I know we did our work in the Senate earlier today, but it is not done yet. That is because the end of the fiscal year—presents a deadline for Congress as well. Political games have resulted in another manufactured crisis that is driving us to the brink of yet another government shutdown. These are problems that we have seen before.

Hardworking families in my State of Wisconsin and across the country expect and deserve better from the Congress of the United States. The people we represent get up every day and do their job, and it should not be too much to expect that we do ours by keeping the government open for business and working together to get things done for the American people.

This afternoon we will examine if spending at the end of the fiscal year is, in fact, a source of waste in the Federal Government. But I think we already know that planning for a possible shutdown and operating on continuing resolutions are most definitely a source of waste. Even after a CR is passed, agency budget officers must spend time planning for the short term. Drifting from one budget crisis to the next makes our government less efficient and more expensive for taxpayers.

The 2013 government shutdown not only wasted resources and, frankly, weeks of productivity, it cost $24 billion in lost economic output. Our full Committee described the failure to pass appropriations bills on time as part of "crisis budgeting" when in 2013 it looked at the costs and impacts of operating through continuing resolutions, the threat of shutdown, and across-the-board budget cuts to Federal programs through sequestration. Two years later, not much has changed.

And so how do Federal agencies deal with the uncertainties of crisis budgeting? In areas where they have discretion to delay spending money, they do. And that is no different than anyone balancing their household budget would do.

With all of this uncertainty, it is a reasonable response for budget directors to wait until later in the year when it is clear how much funding is available for staff training or staff generally, let us say. Agencies issue shorter grants and contracts with increased overhead costs and delay contracts until later in the fiscal year because it takes time for contracting officers to do their work. Squeezing contracts, grants, and purchases into the last few months of the fiscal year can certainly lead to inefficiency.

When the Government Accountability Office (GAO) surveyed agencies about the impact budget uncertainties have on their operations, the Bureau of Prisons Field Acquisition Office admitted that when a CR is in place, trying to complete their contracts of more than $100,000 each by the end of the fiscal year negatively affects the quality of competition.

Resolving crisis budgeting may not reduce pressure to "use it or lose it," as it is called, but it would certainly restore some certainty, some predictability. To only refer to money obligated in August or September as "a spending rush" or "wasteful binge" assumes that at the end of the fiscal year a Federal agency would do just about anything to pad their budget. But as we all know, the need for staff training and technology are inexhaustible, and in our current budget environment, there are simply fewer resources for low-priority purchases. GAO found this to be true for most discretionary programs in their 1998 report on year-end spending and would likely find the same, I would say, in 2015.

In my home State, we have a work ethic that is really second to none, and we pinch our pennies. And our people expect the same with their taxpayer dollars that we invest in their future. So when we find egregious instances of wasted taxpayer dollars, it is our job to act no matter at what point in the fiscal year that money is spent. The fact is that far too many Wisconsin families and individuals, despite their hard work, do not have extra money left in their own budgets at the end of the month or the end of the year. Stories about government spending their tax dollars on a truckload of flower pots or other such examples to avoid budget cuts are simply indefensible.

I expect that we will have time this afternoon, Mr. Chairman, to talk not only about what happens at the end of a fiscal year, but also continue the dialogue that the Chairman and I have begun earlier this year about finding solutions to the problems of wasteful government spending. And I want to thank Chairman Paul for once again providing us an opportunity to root out wasteful spending. I look forward to our conversation about the incentives built into our budget process and the extent to which they lead to decisions that waste taxpayer dollars.

Senator PAUL. Well, thank you, Senator Baldwin.

I think that it is important to note that there is some agreement. I think continuing resolutions are a terrible way to run government. But I think it is also important to point out that this has been going on for a decade under Republicans and Democrats. It is both parties that have been a huge failure, and it is part of the reason why there is about an 11-percent approval rating for Congress because we do not do our job.

End-of-the-year spending will not balance the budget if we were to fix it. It is a phenomenon, and we should fix it. But we do not fix anything around here with a continuing resolution. Nothing gets better. We never examine bad spending or good spending, and nothing gets better. So I am very frustrated with the process of the continuing resolution and will continue to fight against that.

At this point, I would like to introduce our first witness, Dr. Jason Fichtner, who is a senior research fellow at Mercatus Center at George Mason University. His research focuses on Social Security, Federal tax policy, Federal budget policy, retirement security, and policy proposals to increase savings and investment. Previously he served in several positions at the Social Security Administration, including as Acting Deputy Commissioner of Social Security. Most relevant today, he is the lead author of a paper published just last year entitled, "Curbing the Surge in Year-End Federal Government Spending: Reforming 'Use It or Lose It' Rules." The Committee would like to at this point welcome Dr. Jason Fichtner.

TESTIMONY OF JASON J. FICHTNER, PH.D.,[1] SENIOR RESEARCH FELLOW, THE MERCATUS CENTER AT GEORGE MASON UNIVERSITY

Dr. FICHTNER. Thank you, Senator. Good afternoon, Chairman Paul, Ranking Member Baldwin, Senator Lankford. Thank you for inviting me to testify today.

My testimony focuses on two issues: first, the extent to which perception of a year-end spending problem is reality; and, second, how various reforms would improve the efficiency of spending by Federal Government agencies and departments.

From this discussion, I hope to leave you with the following two takeaways:

First, while anecdotes and media stories of year-end spending surges are widespread, empirical evidence for year-end spending surges and use-it-or-lose-it spending—or the motivation behind the spending—is significantly less available. However, my research and recent research by other scholars is beginning to demonstrate empirical evidence that a year-end spending phenomenon is real and potentially wasteful.

Second, allowing Federal agencies limited rollover or carryover authority could reduce wasteful year-end spending splurges. Similar reforms at the State level and internationally have shown promise, but more research is still needed.

The use-it-or-lose-it phenomenon refers to the propensity of U.S. Government agencies to spend unused financial resources toward the end of the fiscal year. This spending is usually driven by fear that leftover resources will be returned to the Department of the Treasury and will prompt future congressional budget cuts for the agency.

Economists Jeffrey Liebman and Neale Mahoney analyzed data from the Federal Procurement Data System and the White House's IT Dashboard to show that not only is there a surge in Federal spending at the end of the year, but also the spending is of lower quality. According to Liebman and Mahoney, at the end of the fiscal year, "the prospect of expiring funds" causes agencies to spend all their remaining resources, "even if the marginal value is below the social costs of those funds." The International Monetary Fund found that year-end spending surges are a "commonly observed phenomenon in government administrations." Such surges have occurred in Canada, Taiwan, and the United Kingdom, just to name a few.

My research analyzed publicly available data from USASpending.gov related to spending on prime contracts awarded by executive departments. My analysis focused on this type of spending—which comprised roughly 12 percent of total 2013 Federal spending—because the data are readily available throughout the USASpending data archive.

My research shows that a remarkably large percentage of Executive Branch contract spending occurred near the end of the fiscal

[1] The prepared statement of Dr. Fichtner appears in the Appendix on page 23.

year. If an agency were to spread its contract authority evenly over a 12-month period, roughly 8.3 percent of spending would occur in each month. However, in the last month of fiscal year 2013, the Department of State spent 38.8 percent of its contract expenditures, and the Department of Health and Human Services (HHS) spent 28.7 percent.

Now, not all agencies exhibited a year-end spending surge. For example, the Department of Energy (DOE) spent only 6 percent of its annual contract expenditures in September. But as the data show, most Federal agencies were well above 8 percent, and many were above 16 percent. Between 2003 and 2013, of the data I looked at, across all executive departments, 16.9 percent of obligated contract expenditures occurred during the month of September. That is more than twice what we would expect if spending were split evenly over 12 months at 8.3 percent per month.

It is important to point out that the pattern of fiscal year-end spending surges is evident across all fiscal years analyzed and it is not unique to the current administration or the past few Congresses, as Senator Paul referred to. Year-end spending surges have become the norm, regardless of administration, party control of Congress, or delays in finalizing agency appropriations.

Academic research and some anecdotal evidence suggests that the current budget rule of use it or lose it is not optimal and may be encouraging wasteful spending of taxpayer dollars. The question remains: If such spending is indeed wasteful, what can be done to reduce it?

One idea is to allow agencies limited rollover authority—also known as carryover—for funds not spent by the end of the fiscal year. The Federal Government could begin with a pilot exercise to test the merits of limited rollover authority. Within certain Federal departments, agency subcomponents could be given the authority to roll over up to 5 percent of the contract budget authority into the next fiscal year.

To avoid lengthy delays in the spending of rollover funds and to discourage large accumulation of such rollover funds, such funds should be spent within 2 years. Department or agencies that wish to participate in the pilot could submit a request to Congress, which could then direct the Government Accountability Office to oversee, audit, and evaluate the program.

Executive departments should be required to submit midyear budget reviews to Congress and the GAO. These reviews would detail, by agency subcomponent, the anticipated expenditures for the remainder of the fiscal year, the anticipated surpluses at the end of the fiscal year, and the reasons for these surpluses. Midyear reports with similar components have yielded success in reducing use-it-or-lose-it pressures and year-end spending surges when tried at home in Oklahoma and overseas in Taiwan. A pilot program that gives limited rollover authority to several departments, combined with congressional and GAO oversight of rollover accounts, would be a useful experiment to see whether these changes to the Federal budget process would reduce wasteful year-end spending.

Thank you for your time and this opportunity to testify today. I look forward to your questions.

Senator PAUL. Thank you, Dr. Fichtner.

Our next witness is Dean Sinclair of Changing the Culture in Washington. Mr. Sinclair was a long-time Federal employee overseeing multi-million-dollar contracts. This was particularly the case when he was the Executive Director of the Iraq Scientists Engagement Program for the Department of State in Baghdad. Mr. Sinclair is keenly aware of the use-it-or-lose-it phenomenon and is deeply troubled by it.

I am looking forward to hearing more about your experiences and getting your insights. Mr. Sinclair.

TESTIMONY OF DEAN W. SINCLAIR,[1] CHANGING THE CULTURE OF WASHINGTON

Mr. SINCLAIR. Thank you, Chairman Paul, Senator Baldwin, and the Subcommittee. Thank you for letting me join you today.

I have a lifetime of experience working both sides of the fence as a contractor and as a direct hire for the U.S. Government, both in the military, in the army, and in the Department of State. I will start with the story that you referred to, Senator Baldwin.

There was an ambassador in Africa who asked his facility manager to order four flower pots, and thinking about it, he came back to that facility manager and said, "Hey, it is the end of the year. I have a big budget there. Why don't you buy a truckload of flower pots for us?" And the facility manager, who I spoke to personally firsthand, hated himself for having to do that. He was disgusted with the whole process, but, of course, he did it because he was asked.

So he got the flower pots in Africa. Who knows where they came from? When they showed up, they took four of them out, put them around the embassy where they were needed, and the rest were put behind a building and left just to rot in the sun, because you cannot let them go, you cannot give them away because of the rules, you cannot sell them. You had to keep them.

Now, you have to wonder. That was an ambassador. I am sure he or she sometimes risked his or her life in the course of their duty, like I was doing in Iraq for 9 years, just to do our job. It was often a very insecure thing. We are doing things that are for the benefit of America. Oftentimes it has direct impact on our national security. These are not disloyal people. These are not people who are out to just do evil things to America. If that is the case, then what is happening? What causes a person to make such an egregious decision about wasting money at the end of the year?

My thought, after all these years, is that they do not have any incentive to do it. At the end of the year—and let me give it to you clearly. There are three steps that I think need to take place on this end of it. For the employees themselves to voluntarily come forward and not waste the money but spend it effectively and efficiently, three things need to happen.

One, at the end of every year, they are evaluated. They get an employee evaluation form. You will not find on that form a good statement that says, "Have you spent your money that has been budgeted?" And if you did and completed your program, well, that is one of the best check marks you can get.

[1] The prepared statement of Mr. Sinclair appears in the Appendix on page 60.

However, if you happen to complete your mission and return surplus money to the Treasury, well, that should be the highest check mark an employee gets on their annual evaluation. Notice you do not have to build a bureaucracy. You do not have to come up with a new program. You just need to put it in there, and it is not—if you check—and I have—it is not in there in a way that effectively evaluates employees that way.

Another one, with no bureaucracy, no extra programs attached to it, simple public recognition is one of the most effective motivating tools for employees, and if at the end of the year they turn money back and that is surplus money, they should get, like I did, I got two plaques for having an outstanding program in Iraq from an Under Secretary and from the Ambassador himself. You better believe I worked hard for those. And at the end of the year, if people have turned money back in, why not just give them the plaque, "Hey, that is what we wanted," do it in front of the whole organization, and put it in their personnel record, and probably in the local news source for that agency. I was written up in the agency—it was the U.S. Army Corps of Engineers (USACE) magazine. It was the proudest moment of my life just to see that news article.

So the third one, Senator Paul, is exactly what you said. I know you did it in a bipartisan effort with Senator Mark Warner, and that is, why not give people a bonus of some sort? And I am not saying a large one, but I personally turned back $1 million when I was running an $8.5 million program. And when I did that, the people I was working for, they looked at me like a deer in the headlights, "I have never seen this before." What if they had just given me a little bonus for doing the right thing?

Those are the three things that you need to do to get the people on board to support not wasting money at the end of the year.

Senator BALDWIN. I would like to take the opportunity to introduce Dr. Philip Joyce and add my personal thanks to you, Dr. Joyce, for being here today.

Dr. Joyce is associate dean and professor of public policy at the University of Maryland and has spent more than 30 years practicing and studying budgets at the Congressional Budget Office (CBO), the Illinois Bureau of the Budget, and the Illinois Department of Corrections. He is the author of a report detailing the costs of budgeting uncertainty based on his research and interviews with current and former government officials. That report describes the effects of late appropriations on Federal agency operations over the last 35 years and explains how Federal budget officers have attempted to address greater levels of uncertainty every year. That report is relevant today as Congress votes to keep the government open.

Dr. Joyce testified before our full Committee in 2013 and talked about year-end spending in the context of budget uncertainty, and I am delighted to welcome you to the panel here today to provide us with your insight. Thank you, and we await your testimony.

TESTIMONY OF PHILIP G. JOYCE, PH.D.,[1] PROFESSOR OF PUBLIC POLICY AND SENIOR ASSOCIATE DEAN, UNIVERSITY OF MARYLAND SCHOOL OF PUBLIC POLICY

Dr. JOYCE. Thank you very much. Thank you, Chairman Paul, Senator Baldwin, Senator Lankford, Members of the Subcommittee. I am very happy to be here today.

My message to you today is a relatively simple one; that is, I think end-of-year spending is real, I think it is potentially a problem to the extent that funds are wasted. I do not think in the overall scheme of things it is perhaps the highest priority problem that we have. But if end-of-year spending is real, I do want to point to something else that is real as well, and that is the uncertainty that is created by the dysfunction of the appropriations process.

I think end-of-year spending to some extent is a predictable and understandable response by Federal agencies to the incentives that they face, and that creating more certainty in the process would actually do far more to curb waste and inefficiency in government than trying to rein in end-of-year spending.

But first I want to acknowledge that spending, particularly for contracts and other types of non-salary items, is backloaded, at least in relative terms. And this, by the way, is not peculiar to the Federal Government, as has been suggested. There are lots and lots of governments where this is an issue. I started my career as a budget analyst in the Illinois State budget office. The fiscal year started on July 1. June was a very busy month. So this is not something that is peculiar to the Federal Government.

A lot of this at the Federal level has to do with the laws that govern Federal spending. Agencies cannot overspend their appropriations because of the Anti-Deficiency Act. On the other hand, they are supposed to spend the funds that have been appropriated because of the anti-impoundment statutes. So it is quite prudent for agencies to set aside funds until they know that they have the money. To that extent, end-of-year spending could be a prudent response to the incentives that they face.

But that is not to suggest that agencies do not sometimes spend money just to avoid losing the funds and that they also do not sometimes spend money in order to protect their budgetary base for a future fiscal year.

So it is not an excuse for wasting funds on unneeded expenditures, not only at the end of the year but any other time. But if one is to get a handle, I think on the real problem, I think it is important to be clear about the distinction between end of year and wasteful, because the two are not synonymous. The key question here has to do with the quality of spending, not necessarily the timing of spending. And if one looks at the GAO high-risk list, for example, there are a whole lot of examples of fiscal exposure, larger fiscal exposures than end-of-year spending. For example, there is the $80 billion annual cost for Medicare and Medicaid improper payments, which I would say substantially dwarfs the cost of end-of-year spending.

So in relative terms, I would say we are not talking about a lot of money, but to the extent that some spending is wasted at the

[1] The prepared statement of Dr. Joyce appears in the Appendix on page 62.

end of the year, it may be useful to curb the practice. Among other things, it actually does a lot of damage to the credibility of the Federal Government when these kinds of examples come to light.

But how? That is where I think budget uncertainty comes in. Two years ago, as Senator Baldwin said, I testified at a hearing held by the full Committee designed to highlight the harmful effects of budget uncertainty. We know what happened this year, but this year is not unusual. There have only been four times in the last 40 years that the appropriations process was completed on time. And it is a good thing to avoid government shutdowns, but government by CR is no prize either in the sense that it creates a lot of uncertainty and that uncertainty itself causes waste. Late appropriations push many contract renewals to later in the year. That creates a greater potential to make mistakes. It increases the cost of contracts, either because savings cannot be locked in or because contractors sometimes exact a risk premium for dealing with the Federal Government because of the uncertainty that they face.

In addition, agencies waste a great deal of time and, therefore, money preparing for potential government shutdowns and also interpreting what they are permitted to do and not do under a continuing resolution.

The effects of budget uncertainty, of course, are also felt by recipients of Federal funds, such as State and local governments and private contractors.

All this suggests that our normal dysfunctional way of doing business creates a lot more waste and compromises the effectiveness of government far more than does end-of-year spending. And no State or local government could get away with this. Chronic funding delays would result in lower bond ratings and increased borrowing costs and a lot of political fallout.

So my purpose here is not to defend waste. Wasteful spending, regardless of the magnitude or the timing, should be avoided. It is that end-of-year and wasteful are not synonymous, and that in the current fiscal environment, end-of-year spending practices are an entirely understandable—even reasonable—response to the dysfunction and unpredictability of the appropriations process. I think making that process work better would not only reduce end-of-year spending, but would also improve the overall effectiveness of government.

I thank you very much for your attention.

Senator PAUL. Thank you. Senator Lankford.

OPENING STATEMENT OF SENATOR LANKFORD

Senator LANKFORD. Thank you. Thanks, Mr. Chairman. Ranking Member, thank you. I appreciate that.

Dr. Joyce, let me pick up where you just left off there, and that is this broken process. As you mentioned, I believe you said four times in the last 40 years, appropriations have been done on time and in order with the 12 appropriation bills at the scheduled moment. That is not just a broken process; that is a shattered process, and it has got to be fixed.

Dr. JOYCE. Right.

Senator LANKFORD. One of the ideas that is being floated is some way to be able to build in an incentive. Congress only seems to get stuff done when they have to get it done.

Dr. JOYCE. Right.

Senator LANKFORD. And at that point, even at the last moment, to build in some sort of process that would create certainty in two areas. One is that the appropriations process will be done, and the other one is that we do not have shutdowns.

So one idea being floated is that at the end of a fiscal year, we would have an automatic short-term CR that would kick in for 30 days, but that there would be a cut in the budget for the legislative branch, both the House and the Senate, and our committees, and the White House Executive Office, just limited to those folks that actually do the negotiation, we would have a small budget cut. That budget cut would increase the next month and the next month to push Congress to actually get its work done. That is not damaging other agencies. They are still functioning. But it is not trying to create an arbitrary deadline but to put it on Congress, there is really no difference between October 1 right now and December 11. We have just created another deadline. But there is nothing going to change between the two. So I am trying to find some sort of pressure point to create and do that.

Have you heard of that kind of idea? I agree CRs are a terrible way to do it, but if we trip over into October 1, I do not want to have the instability as well. I want us to get to the appropriations process. I would be interested in your input.

Dr. JOYCE. I think that any kind of incentive that you create, if you believe that it would work, would be a good thing. I do think that what might end up happening in that case is that the real deadline, to the extent there is one, would just shift from being October 1 to November 1; that is, the point at which somebody believes that something that matters to them is actually going to happen is the point at which someone will actually get down to doing the job.

Senator LANKFORD. Correct.

Dr. JOYCE. And when I interviewed people for this 2013 study, one of the striking things that I found is a lot of people out there in Federal agencies—and this I think accounts partially for the movement of contracting toward the end of the year—actually do not believe they are going to get an appropriation on October 1 and, therefore, they view normal as January 1 because they have experienced that.

Senator LANKFORD. Right. And so that is the fixable moment that we have to find a way to be able to add leverage basically to Congress and to the White House that in our negotiations all three parties can get together and try to get this done on time and try to get us back to that.

Dr. JOYCE. Correct.

Senator LANKFORD. So we will continue to explore that together in the days ahead.

Let me ask this group as well, the idea about floating a cap of what you can do in contract spending or in total spending. As you mentioned before, the 8.3 percent would be the normal in the process. If you did a cap saying that you could do no more than 12 percent of your budget in the final 2 months, would that make a difference? Or would that basically instead, being September now, you would have this big massive spending in July?

Mr. FICHTNER. I think, Senator, you already hit the perverse incentive in your question, which is one of the things—the problem we have is there is a deadline that forces agencies to spend without being able to roll over any sort of authority to the next fiscal year. If you moved that one month up, my guess is you would see the data show that that one month up would then be a spending splurge as well. So the idea is not necessarily changing the date, but how do you change the incentives with the structure of the budget process to give them a different incentive to roll over money and spend it more prudently.

Senator LANKFORD. Right, because the key really here is oversight and to make sure that things are done well, and that when there is wasteful spending, rather than just they were being careful with budgets and making sure they did not go over, that is understandable to be able to leave that. The problem is, at the end of it, leftover funds need to be returned to the taxpayer and to what is happening in debt reduction rather than spent on flower pots.

Mr. SINCLAIR. Another thing that happens is when you come up with rules like that, then people, they work to the rule. And what it does not address is that cultural mindset of wasteful spending, that is acceptable. And if you change that, then you will not need to worry as much about those caps.

Senator LANKFORD. OK. One last question as well about the carryover authority. Oklahoma has that in some of our agencies and within the State has the ability to be able to do carryover. Again, how does that not just incentivize agencies to carry over and then spend twice as much, I guess?

Mr. FICHTNER. Again, Senator, the point is changing the incentives, and you also mentioned the idea of congressional oversight. This cannot be done in a vacuum. So one of the things I recommend is a pilot that looks to the States where they were successful, and part of that success is having midyear reports.

Senator LANKFORD. Do you have an agency that you would recommend as a pilot on that?

Mr. FICHTNER. Right now I would start with the Department of State and also the Department of Health and Human Services, sir.

Senator LANKFORD. Why? Because they spent 38 percent in the final month?

Mr. FICHTNER. That is part of it. They are the two biggest outliers, and I think they are also the two biggest examples with the anecdotes that show where waste is. So we could control waste and also then change the incentives by the same time. It could be a double win.

Senator LANKFORD. Thank you.

I yield back. Thank you.

Senator PAUL. Thank you, Senator Lankford. And the only thing I would add to that is if you are going to cut someone's budget as an incentive, if you actually cut salaries, that might be more of an incentive.

Now I would like to recognize Senator Baldwin.

Senator BALDWIN. Thank you. I know, Mr. Chairman, you yielded to Senator Lankford because he has another obligation.

Senator PAUL. Go ahead.

Senator BALDWIN. Well, thank you all for your testimony. I very much appreciate it.

I know we are focusing in on the Federal Government and, in particular, the Executive Branch. Dr. Joyce, you said in your testimony that year-end spending is not unique to the Executive Branch of the Federal Government, nor is it unique to government at any level, and perhaps not even to government. There may be examples of use-it-or-lose-it within the private sector operating on fiscal year calendars.

I am sure if there was a silver bullet answer to the problem, you would have offered it in your testimony, but are there examples of budget directors outside of the Federal Government finding useful tools that we should be looking at to address the waste that can be present in year-end spending?

Dr. JOYCE. Well, I think there are—two things I would say. The first is that the premise of your question, which is that this is a phenomenon that exists across lots and lots of organizations, is absolutely correct. And the reason for that is because most organizations have budgets that are time limited; that is, most organizations have some point in time when the fiscal year ends, and anytime you have that situation, you are going to create incentives for those people to try to use the money that they have before it disappears, unless there is some way to incentivize them to not do that.

So the only thing that I am aware of is trying to exercise more oversight; that is, if you think that end-of-year spending is actually a problem and that the spending at the end of the year might tend to be for less high priority items, that you create some additional checks.

For example, when I worked in the Illinois Budget office, when agencies were trying to spend a lot of money at the end of the year, they actually had to get our approval in order to do that if it occurred in the last quarter of the year for some things where they did not have to get that approval if they had spent the money earlier in the year. Just as an example.

Senator BALDWIN. Just out of curiosity, I came from local and then State-level government prior to the Congress of the United States. Wisconsin had a 2-year budget.

Dr. JOYCE. Right.

Senator BALDWIN. And you talked about the propensity for backloading these expenditures just because you get a budget and it takes you awhile to begin to implement competitive bids for contracts, et cetera. Have you had the opportunity to examine others that do a 2-year budget? And I am not necessarily a proponent of that, but how does it change behavior? Do you see less backloading in different budget lengths?

Dr. JOYCE. Dr. Fichtner may have looked at that. I have not looked at it. I think logically what one would think would occur under a 2-year budget—and I have some reservations for other reasons about a 2-year budget, but in terms of——

Senator BALDWIN. As do I.

Dr. JOYCE [continuing]. This specific question, I think that the incentives would occur half as often if what happened was that you had funds available for 2 years as opposed to having funds available for only one year.

Senator BALDWIN. I want to explore further, Dr. Fichtner, your comment or your ideas about rollover authority. You talk about the Federal agencies being allowed to keep a portion of their unobligated funds to reduce the incentives created under use it or lose it. What safeguards would you propose be in place to ensure that these funds, which would arguably be subject to less oversight once they were removed from the regular appropriations process, so that these funds do not become more susceptible to wasteful spending once rolled over?

Dr. FICHTNER. Senator, that is an excellent question. In fact, I would actually give them more scrutiny, not less, in the congressional process, including having GAO monitor it. One of my concerns—and I think you probably are showing this as well—is if you give an incentive to an agency to have rollover authority, they may purposely not spend money that Congress has authorized and appropriated for the funds intended, just to show they can get a bonus or just to show they have saved money and roll it over.

So what I would do is have a pilot in which they apply to Congress so that Congress can have a chance to have witnesses, ask them: Why do you think your program is best suited for rollover authority? How do you plan to do it? Then have midyear reports that go to Congress. GAO evaluates it to make sure that they are spending it appropriately and not just putting it in what is called the "rathole." That is very insightful, and that is how I would put some protections on it, Senator.

Senator BALDWIN. Do you have any other comments on that, Dr. Joyce?

Dr. JOYCE. Well, on rollover authority, actually going back very far into history, when Vice President Gore was Vice President, there was a reform called "Reinventing Government," and one of the specific recommendations of Reinventing Government was that agencies be able to keep 50 percent of the money that they saved at the end of the fiscal year. The trick from an agency perspective is that they have to believe that in the executive process the Office of Management and Budget (OMB) will not take that money out of their base for the next fiscal year. So they have to believe that they will actually get to keep and spend it as opposed to it will just become a reduction in next year's budget. So everybody has to sort of agree to play along in order for the game to work.

Dr. FICHTNER. And the congressional process as well.

Dr. JOYCE. Correct.

Senator BALDWIN. Right. Points that you have both made. Thank you.

Senator PAUL. I would like to have this question really for the panel. We have put forward a bill that Mr. Sinclair mentioned, and it is a bill to basically give incentives. We have talked about incentives for your budget or for our general budget, but I think people respond best to incentives that actually have to do with themselves.

In our bill basically we put forward—and someone has to approve that they have done what they were told to do. Basically your agency has a mission, and I believe we have the chief financial of course, and an Inspector General (IG), both have to certify that you have performed your mission.

But, see, I think throughout an enormous government that spends $3.8 trillion that, the cartridges that are piled up in our room back here, that somebody, if they thought they were getting a $1,000 bonus by not ordering $10,000 worth of printer toners, they probably would not have done it. And this does work.

And as far as end-of-the-year spending, it would only work in a corporation or happen in a corporation where there is not good oversight and where it is so big and bureaucratic that it is somewhat like government. In a well-run business, it would never happen because the incentives would exist throughout, and you would want to be pleasing your boss to get a promotion to save money. You would be telling your boss, "Hey, I ordered 30 percent less toners this year, so we saved the company money." And you would expect something for that.

But I would like to know, just each of you individually, what you think of the idea of giving a personal incentive. I personally do not think much of carrying the money over to the next year. It might help a little bit not to have the crunch of everybody trying to get rid of it. But it really does not give anybody the incentive to give it back to the people whose money it is, which is the taxpayer.

Why don't we start with Jason and work our way down?

Dr. FICHTNER. Thank you, Senator. I think that your idea in the bill is a very good idea. What I would also do is couple it with the rollover spending, because one of the things you want to do is make sure incentives align. You give the employees an incentive, but the management does not have an incentive to rollover authority. Then basically they might look at their employee poorly and say, "Hey, you just gave money back. Congress is going to take it away next year, and you have ruined my career." That is one of the things Mr. Sinclair was pointing out. So I would look at this as a tandem idea of giving the incentive to the employee to identify fraud and wasteful spending with a dollar award, and the manager as well.

Senator PAUL. Well, one thing on that, you could sort of share the incentive and make everybody part of a team where the guy at the very top or the woman at the very top is also getting a piece of the action as well. So I think there could be something where the whole agency could even take a little small portion of the savings, and the guy or the woman who found the big savings gets a bigger percentage chunk, but then it is spread throughout the whole agency. People just react to stuff that affects them personally.

Dr. FICHTNER. I agree, Senator. The other thing I would mention, because I have mentioned this to Mr. Sinclair and we have talked about this, is changing the incentives for the Senior Executive Service (SES). They have performance reviews every year which are based on some qualities and assessments, and one of them is business acumen. That category should include something that says if fiscal dollars are not spent appropriately, are you going over too much or are you on budget, not going over or not going under, if you are carrying over too much and not spending, or you are spending at the end then you cannot get a salary bonus award.

Senator PAUL. Yes, I like that idea, and I think maybe we should look at our bill to see about adding that to our bill about the way we review employees. I think that would be good as well.

Dr. FICHTNER. Thank you, sir.

Mr. SINCLAIR. Senator, I looked at your bill, too, and I liked what I saw. It had protections in there so that there would be review, because there was also the possibility of abusing that system, "Let us pad my budget so I can turn some money back and get a bonus at the end of the year." That would be a hardship——

Senator PAUL. But they do not create their budget. We create the budget, right?

Mr. SINCLAIR. Well, but they would tell you what they need, so, "Let me expand on what I think I need so that I can get a bonus."

Senator PAUL. I think that already occurs without the bonus. [Laughter.]

Mr. SINCLAIR. Essentially what I am saying I am agreeing with you that since you have protections in there, that is a good thing. Money is one of the three motivations that I recommended. It is not the top one, though. I think it is an excellent one if you do not make it—like, if I have saved $1 million, how much should I receive for that as a bonus? Well, in my mind, $1,000, $2,000? Is that a good bonus for the government to save $1 million? That seems fine. That is just a suggestion.

Senator PAUL. Right.

Mr. SINCLAIR. I would like to point out, though, that we pretty much agree here on this panel on everything except probably one thing, and that is, the magnitude of the problem. It is a serious, hugely important problem. I think it is an unseen problem, and the reason I say that is because people who have this mindset that they have to get rid of that money throughout the year are making bad decisions about that money. And some of those decisions have to do with things like our national security, and notice the recommendations that I have said. I am not talking about eliminating agencies or anything. I want every agency to work well.

Senator PAUL. I think one other point I would make is that even if it is not 50 percent of the budget or 50 percent of the problem——

Mr. SINCLAIR. Correct.

Senator PAUL [continuing]. If it is one percent, if you take one percent savings across the board and you compound it, it adds up to real savings. I mean, you actually can balance your Federal budget, as bad as it is now, with one percent real compounded savings over a 5-year period.

I would like to have Dr. Joyce comment, and then I will be done.

Dr. JOYCE. The only comment I could add is that you do not provide Federal agencies and programs with money as an end in and of itself. You provide agencies and programs with money because there are particular missions and jobs that you want them to do. So the only thing that I would add in is that you would have to make sure that the saving of money was not an end in and of itself, but that you also factored in what did you accomplish with the money that I provided you; and if you can accomplish what you are supposed to accomplish and simultaneously save money, then I think you are really on to something.

Senator PAUL. Right. I would appreciate it if all of you would look at our bill. We do have that in there, a safeguard to try to make sure you are accomplishing your mission. But if you will all look at the bill—it is a very short bill—I am open to suggestions, and from Senator Baldwin as well. We need more Democrats on this. We have one Democrat right now, so we need more. I do not think we are going to get any appropriators. They just do not care, I mean, and that is just sad to say. But I would appreciate any kind of influence from you that says that we could change the bill in one way, and we will look at that. And we would also look at it from Senator Baldwin—if you would come on board, we are willing to take suggestions. Senator Ernst.

OPENING STATEMENT OF SENATOR ERNST

Senator ERNST. Thank you, Mr. Chairman. I appreciate it.

Gentlemen, thank you for being here today. And, Dr. Joyce, I will echo what you said about all levels of government. I started my elected career as a county auditor, and, of course, we saw some of these same issues at a much smaller scale at the county level.

One of the things—of course, we had the contract spending at the end of the year, but one of the things that we implemented to try and control that end-of-year spending, something that we can think about at the Federal level, have discussions on. But when the budget was set for the fiscal year, at the beginning of the year—of course, ours was a July 1 fiscal year as well. At the beginning of that fiscal year, our county supervisors would only authorize a certain percent of the budget, and when you hit that mark, then that department would come back in and then justify the rest of their spending going forward. That might be cumbersome, but it did slow down that end-of-year and unwarranted expenditure. So that was something that we utilized, and it did help.

I do want to go back to some of your testimony, Dr. Fichtner. You provided some graphs and charts in your testimony—thank you for doing that—on the agency contract expenditures, and this is a big issue. The State Department, I cannot believe it, at the end of every year, and HHS, well above the average with other contract spending authority compared to other agencies. And so what is the State Department spending 38 percent of its entire contract budget on in that last month of the fiscal year? Can you explain to us what that is?

Dr. FICHTNER. Senator, I wish I could in detail. There are anecdotes about them wasting money on $1 million grant statues, $5 million——

Senator ERNST. Lovely.

Dr. FICHTNER [continuing]. For stemware for the embassies. This report was a year ago. It was based on fiscal year 2013 data. Because I was testifying today, just over the weekend I played around with USASpending.gov just to look at the State Department, because someone asked, "Well, how much is done last year in the entire fiscal year? How much is done today?" I thought, well, that is an interesting question. So I pulled up just the State Department fiscal year 2014 contract data, and of the entire year, there are roughly 19,500 contracts that they manage and sign. At the end of the fiscal year, just on the last day of the fiscal year, there were 2,000 contracts signed. Now, that is only 0.2 percent of all contracts. Big deal. However, the dollar magnitude was 8.4 percent of the entire dollar amount for the fiscal year.

Senator ERNST. Oh, my gosh.

Dr. FICHTNER. So to get to the point is this a wasteful binge or prudent spending, I would argue a little from Column A and a lot from Column B. It is a problem. The question is: What can we do about it? And that is the issue.

Senator ERNST. Right. Very good.

Yes, Dr. Joyce.

Dr. JOYCE. If I could just add, one of the things that I found when I was talking to people in Federal agencies about this research that I was doing a couple years ago is that agencies have responded to the delays in the appropriations process by making sure that contracts do not come up for renewal during the early part of the fiscal year because they do not want contracts to come up for renewal at a point where they do not know how much money they are going to have. So I have not looked at the data to the extent that Dr. Fichtner has, but a lot of this is why I focused on the uncertainty of the appropriations process. A lot of what occurs in terms of incentives for Federal agencies pushes them to try to renew contracts later in the year just because they do not know whether they are going to have the money or they do not know how much money they are going to have.

Senator ERNST. Right. Very good. And it is not just the State Department. It is not just HHS. I am going to hit one other agency that I think has the potential to do so much good for so many men and women that have put their hand up and sworn to defend and uphold our Constitution and defend our freedoms here in the great United States, and that is, the Department of Veterans Affairs (VA). It really could do so much more for us, and yet what we have seen in recent years is just scandal after scandal with the Veterans Administration. And they are going through some tough times, I would say right now. They bring that on themselves. I am not going to offer any excuses for them.

This is for everybody on the panel. Do you think an agency like the VA should be spending $562,000 on art work in one week?

Dr. FICHTNER. So, Senator, what I would say is, as you pointed out, part of the comment is the Department of Veterans Affairs has a lot of problems right now. Some of it also is leadership, in which the culture of the agency from the staff level is trying to report to Congress with similar activities, and they are getting pushback by the managers, executives. I think that should be somewhere where Congress could focus on how to help those employees stand up and report to Congress on the abuse that is happening.

Senator ERNST. Exactly. Thank you.

Mr. SINCLAIR. May I add something else?

Senator ERNST. Yes, go ahead, Mr. Sinclair.

Mr. SINCLAIR. It took time and energy to waste that money. A lot of time and energy.

Senator ERNST. Of course it did.

Mr. SINCLAIR. I can give you an example from the Department of State. That is who I worked for. The $1 million that I was ready to turn back was—they told me in August, “We need you to spend this by the end of September.” Well, my program had been one of the most successful in the embassy, but it took a lot of work to get it there. And the reason I said I cannot do it right now is because my program will be hurt if I try to spend that money. Let us put it in the budget for next year. I think we could do something reasonable with it. But that was not an acceptable answer.

Senator ERNST. That is not the right answer in today’s age, is it? And that is very unfortunate.

Going back to the art work at the VA, there was a Washington Post article from 2 years ago that outlined some of the spending that the agencies are doing in those last few weeks, and this is just one of those examples. We have some great therapeutic programs for our veterans. They do art work. Why are we not using that art work in our VAs? Wasteful, wasteful spending. We have to do better for our taxpayers. We certainly should be doing better for our men and women in uniform and those veterans.

So thank you, Mr. Chairman.

Senator PAUL. Thank you.

We have mentioned a little bit about giving incentives to Federal employees. I think there also could be a similar type financial incentive program for contractors, and maybe there is and I am not aware of it. But while we are talking about the VA and waste—and we could go on and on—the veterans hospital in Aurora, Colorado, is going to cost $1.8 billion. It is a 182-bed hospital. It is nearly $10 million per hospital room. It is outrageous. It ought to be wallpapered with gold to have cost that much.

But I am wondering whether or not we could do something similar with contractor money, that if you were contracted and you were given $1 billion and you were told $50 million of it was profit for you and the rest was the cost of building something, couldn’t we say that if you can do it for $800 million and you save the government $150 million, that maybe you get a percentage of the savings instead of what we do, the opposite, we give you just whatever your costs are, we will give you cost-plus whatever the profit margin is? But I really think that we could work in incentives into the contracting process as well.

If each of you will comment on whether or not you know if any of that exists or what you think of the idea?

Dr. FICHTNER. So, Senator, I am not sure it exists in the Federal Government. I know in the private sector there are a lot of examples. They try to give incentives to contractors, and what they do is there are performance bonuses for finishing early, not just on time but early, in budget and in quality. And so you could do something in the Federal Government that basically——

Senator PAUL. You do it on time and you could do it coming in under budget.

Dr. FICHTNER. Right.

Senator PAUL. And then you get a percentage of what——

Dr. FICHTNER. So the only thing you want to avoid is a perverse incentive for a contractor to then pad the estimate. But if you have a very competitive process, that should eliminate that.

Senator PAUL. Exactly.

Anybody else?

Mr. SINCLAIR. I just agree with that. I think it would be useful. It would only be one tool, though, and I think a bigger problem probably is the plus-ups that the client, the Federal Government, would give to the contractor over time, and also the continuing resolution problem. When you do not know when your contract starts, you always have to add money to it. So I like your idea, but it is only one element that we need.

Dr. JOYCE. Yes, I want to followup directly on that. I do not want to hit the same note over and over again, but I think the uncertainty is really a big issue for contractors as well. So I think if you are going to try to rein in waste in terms of contractors, I think contractors also would benefit from a lot more certainty in the budget process.

I will say that I have not studied this at the Federal level, but I was involved in a study of the 50 State governments and their management processes a few years ago, and there was a wide variation in terms of the States in the extent to which they did what Dr. Fichtner was describing, which is really performance contracting. So, a performance contract basically says we are going to write into the contract up front what those incentives are, and we are going to talk about quality, and we are going to talk about timeliness, and we are going to talk about cost, and we are going to create some incentives for you to come in with a high-quality product on time and under cost. And unless you do that up front, I do not think you can hope that it is just going to happen on its own.

Senator PAUL. Well, thank you, and if you have any ideas, like I say, we are open on this, too. I think there is a contractor problem, and we have to figure out how to say that it is not acceptable to spend $1.8 billion on a 180-bed hospital. Thank you. Senator Baldwin.

Senator BALDWIN. The last time that the GAO took a look at year-end spending was in 1998, and I have two questions based on that last exam. When the GAO looked at it Dr. Fichtner, USASpending.gov did not exist, and part of their report mentioned inadequate data on the timing of spending in Federal agencies. And I believe that the website does much to increase transparency, but it has certainly been criticized in some quarters that OMB must address underreporting and inconsistency in the website.

So I have a wide-open question for you. What did you think of it? What were its limitations, its inconsistencies? How could we do better?

Dr. FICHTNER. Well, Senator, thanks for the question because as researchers, we are always looking for better data, and, again, you have to give credit where credit is due for President Obama putting this information out for the public and for researchers to use it, because that is what transparency is about, is putting this information out.

Senator BALDWIN. Yes.

Dr. FICHTNER. And I know GAO is working heavily with OMB and others to improve the data set. I think the data is useful, but it does have limitations. One is that there are constant updates going on. So if I download data today from last year—so it is year-old data—and I look at it again one week from now, the numbers are different. There might just be very small changes, but there are still changes. So there are reporting changes going on where agencies say, "We found some late contracts that came through." There are a lot of reasons why realistically there could be changes, but there still are changes. So you always have to question how clean the data is. There are refunds that go on as well. So I do my best sometimes to go through it, but, again, there are 20,000 contracts a year for State, so you try to find the big ones that could affect the numbers in large areas.

So I think just sort of, again, having Congress look at and say how do we improve it, how do we make it more clean, getting researchers in who have used it and say this is great but how do we make it better, I think is a great idea, Senator. I appreciate you looking into this as well.

Senator BALDWIN. Thank you.

And, Dr. Joyce, a different question about that GAO report. When they last looked at the issue, it found that procurement reforms were helping to safeguard against improper or unnecessary contracts that had been associated with a rush to spend funds at the end of the fiscal year. It has been quite some time since that report, and Congress has made and there have been other changes made to the procurement system. So I am wondering, has anything in your work demonstrated that further changes in law or practice may be necessary, especially in this procurement reform arena?

Dr. JOYCE. I have not looked at that, Senator, specifically. I mean, I know that OMB has an Office of Federal Procurement Policy, and I know some folks over there, and I know that this is the kind of thing that they are focused on. And I think that, one of the things that that would do, one of the things that we should think about, is moving beyond the data. I mean, for example, it is one thing to say that the State Department spent 38 percent of their money; it is another thing to then go into it and say, well, what did they spend the money on? And how can we differentiate between what we think is wasteful and what we think is not wasteful? I mean, that is not a criticism of what Dr. Fichtner did. It is just saying that peeling away additional layers of that onion in order to answer the why and what did we actually get for that money I think is the next step in this process.

Senator BALDWIN. Exactly.

Mr. SINCLAIR. I can answer part of that question. Again, working for the Department of State, the only way I could have spent that $1 million was on equipment, because you can do equipment purchases in a day. All right? I did not need equipment because I had already gone through almost every laboratory around Iraq, and I saw every laboratory full of new equipment sitting in the box unopened that had already been placed there by either the Department of State or the Department of Defense (DOD). They could not use it, and yet we were willing to spend more money on equipment.

So, right, that is an issue that is there, and it needs to be corrected.

Senator BALDWIN. Thank you. Thank you to all of you. Great hearing.

Dr. FICHTNER. Senator, I would also just add real quickly, since you have a little bit of time left, because Dr. Joyce has it in his written testimony: The one thing that can really put a focus on agency spending is congressional oversight. Having this hearing is one example. Call up some of the agencies. Have them come, have them tell you why they spent the money, what were these contracts for. Have them explain it. That is part of the oversight job.

Senator PAUL. And if there were repercussions, your appropriations would actually go down, which would mean we would have to have an appropriations process. But I want to thank Senator Baldwin for being part of this and the panel for being part of this today and reiterate that I am open to suggestions on any of this. I do not think this is a partisan issue. I think that everything that everybody has said has some validity to it, and we have at least the one bill, Bonuses for Cost-Cutters, that we are open to suggestions to make the bill better, and that we do not yet have a bill but we are open to suggestions on something to do with contracting. But we want to do the same thing. We want some kind of financial—it can include other things, but we do want at least part of the bill and probably the main focus of the bill to be financial incentives for people to come in under budget on things that they contract. But thank you for being part of this today.

The record will remain open until October 14 for the Members to submit additional questions or comments, and with that, the hearing is adjourned. Thank you.

[Whereupon, at 3:35 p.m., the Subcommittee was adjourned.]

APPENDIX

MERCATUS CENTER
George Mason University
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TESTIMONY

CURBING WASTEFUL YEAR-END FEDERAL GOVERNMENT SPENDING: REFORMING "USE IT OR LOSE IT" RULES

JASON J. FICHTNER, PhD
Senior Research Fellow, Mercatus Center at George Mason University

Senate Committee on Homeland Security and Governmental Affairs
Subcommittee on Federal Spending Oversight and Emergency Management
Hearing: Prudent Planning or Wasteful Binge? A Look at End of the Year Spending

September 30, 2015

Good afternoon, Chairman Paul, Ranking Member Baldwin, and members of the Subcommittee. Thank you for inviting me to testify today.

My name is Jason Fichtner, and I am a senior research fellow at the Mercatus Center at George Mason University, where I research fiscal and economic issues, including Social Security. I am also an affiliated professor at Georgetown University, Johns Hopkins University, and Virginia Tech, where I teach courses in economics and public policy. Previously I served in several positions at the Social Security Administration, including deputy commissioner (acting) and chief economist. All opinions I express today are my own and do not necessarily reflect the views of my employers.

I would like to begin by thanking Chairman Paul and Senator Baldwin for the leadership you provide this committee to ensure that important public policy issues involving the federal budget and the stewardship of federal tax dollars get the attention and debate they deserve. I also appreciate that you ensure ideas and viewpoints from all sides are shared in a collegial and respectful manner. It is a privilege for me to testify before you today.

My testimony focuses on two key issues: first, the extent to which perception of a year-end spending problem is reality and second, how various reforms would improve the efficiency of spending by federal government agencies and departments.

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From this discussion, I hope to leave you with the following takeaways:

1. While anecdotes and media stories of year-end spending surges are widespread, empirical evidence for year-end spending surges and use-it-or-lose-it spending—or the motivation behind this spending—is significantly less available. However, my research and recent research by other scholars is beginning to demonstrate empirical evidence that a year-end spending phenomenon is real and potentially wasteful.

2. Allowing federal agencies limited rollover or carryover authority could reduce wasteful year-end spending splurges. Similar reforms at the state level and internationally have shown promise, but more research is still needed.

YEAR-END SPENDING: ANECDOTAL VS. EMPIRICAL EVIDENCE

The use-it-or-lose-it phenomenon refers to the propensity of US government agencies to spend unused financial resources toward the end of the fiscal year. This spending is allegedly driven by fear that leftover resources will be returned to the Department of the Treasury and will prompt future congressional budget cuts for the agency. Anecdotes and media stories of year-end spending surges are widespread,[1] but empirical evidence for year-end spending surges and use-it-or-lose-it spending, or the motivation behind them, is significantly less available.[2]

Recent research suggests that year-end spending surges exist and may facilitate wasteful spending. In their 2013 paper, economists Jeffrey Liebman and Neale Mahoney analyze data from the Federal Procurement Data System and the White House's IT Dashboard to show that not only is there a surge in federal spending at the end of the year, but also this spending is of lower quality.[3] According to Liebman and Mahoney, at the end of a fiscal year, "the prospect of expiring funds" causes agencies to spend all their remaining resources, "even if the marginal value is below the social costs of funds (our definition of wasteful spending)."[4] A 2009 International Monetary Fund report found that year-end spending surges are a "commonly observed phenomenon in government administrations."[5] Such surges have occurred in Canada, Taiwan, and the United Kingdom, to name a few countries.[6]

Given how few empirical analyses of year-end US agency spending exist, I developed my own analysis of federal contract spending trends with my coauthor, Robert Greene.[7] We analyzed publicly available data from USASpending.gov related to spending on prime contracts awarded by executive departments.[8] My analysis focused

1. For example, see David A. Fahrenthold, "As Congress Fights over the Budget, Agencies Go on Their 'Use It or Lose It' Shopping Sprees," *Washington Post*, September 28, 2013, http://www.washingtonpost.com/politics/as-congress-fights-over-the-budget-agencies-go-on-their-use-it-or-lose-it-shopping-sprees/2013/09/28/b8eef3cc-254c-11e3-b3e9-d97fb087acd6_story.html; Matthew Sabas, "'Use It or Lose It' Shows There's More Room to Cut Spending," *Heritage Foundation*, November 14, 2013, http://blog.heritage.org/2013/11/14/use-lose-shows-theres-room-cut-spending/; Josh Hicks, "Two Charts that Suggest Use-It-or-Lose-It Federal Spending is Real," *Washington Post*, April 17, 2015, http://www.washingtonpost.com/blogs/federal-eye/wp/2015/04/17/two-charts-that-suggest-use-it-or-lose-it-federal-spending-is-real/.
2. Jeffrey B. Liebman and Neale Mahoney, "Do Expiring Budgets Lead to Wasteful Year-End Spending? Evidence from Federal Procurement" (NBER Working Paper No. 19481, National Bureau of Economic Research, Cambridge, MA, September 2013).
3. Liebman and Mahoney, "Expiring Budgets."
4. Ibid., 1. "Our definition of wasteful spending" refers to Liebman and Mahoney's definition.
5. Ian Lienert and Gösta Ljungman, "Carry-Over of Budget Authority" (Public Financial Management Technical Guidance Note, Fiscal Affairs Department, International Monetary Fund, Washington, DC, 2009), 3.
6. Rowena Crawford et al., "A Survey of Public Spending in the UK" (IFS Briefing Note BN43, Institute for Fiscal Studies, London, September 2009); Noel Hyndman et al., "Annuality in Public Budgeting: An Exploratory Study" (research report, Chartered Institute of Management Accountants, London, 2005); Internal Audit Branch, Treasury Board of Canada Secretariat, *Government Wide Review of Year-End Spending*, June 1995, http://www.tbs-sct.gc.ca/report/orp/1995/gwr-1995-eng.asp; Jinn-Yang Uang and Ching-Wan Liang, "Does Monitoring Frequency Affect Budget Execution Patterns?," *Asia Pacific Management Review* 17, no. 1 (2012): 59–75.
7. Jason J. Fichtner and Robert Greene, "Curbing the Surge in Year-End Federal Government Spending: Reforming 'Use It or Lose It' Rules" (Mercatus Working Paper, Mercatus Center at George Mason University, Arlington, VA, September 2014).
8. All data were accessed on June 30, 2014. All data used from FY 2003–FY 2013 were last updated by USASpending.gov on June 17, 2014. Data from FY 2000–FY 2002 were last updated on July 15, 2013.

on this type of spending—which comprised roughly 12 percent of total 2013 federal spending[9]—because the data are readily available through the USASpending.gov data archive. Data were downloaded containing detailed information on all contracts executed by each executive branch department for fiscal years 2000 through 2013.

My research shows that a remarkably large percentage of executive branch contract spending occurred near the end of the fiscal year. If an agency were to spread its contract spending evenly over a 12-month period, roughly 8.3 percent of spending would occur in each month. However, in the last month of fiscal year 2013, September,[10] the Department of State spent 38.8 percent of its contracting expenditures and the Department of Health and Human Services spent 28.7 percent. Not all agencies exhibited a year-end surge in spending. For example, the Department of Energy spent only 6.0 percent of its annual contract expenditures. But as the data show, most federal agencies were well above 8 percent, and many were above 16 percent. Between 2003 and 2013, across all executive departments, 16.9 percent of obligated contract expenditures occurred during the month of September—more than twice what we would expect if spending were split evenly over 12 months at 8.3 percent per month.

The pattern of year-end spending surges is evident across all the fiscal years analyzed and is not unique to the current administration or the past few Congresses. Year-end spending surges have become the norm, regardless of administration, party control of Congress, or delays in finalizing agency appropriations.

POLICY RECOMMENDATIONS

Academic research and some anecdotal evidence suggests that the current budget rule of use it or lose it is not optimal and may be encouraging wasteful spending of taxpayer dollars. The question remains: If such spending is indeed wasteful, what can be done to reduce it?

One idea is to allow agencies limited rollover (also known as carryover) authority for funds not spent by the end of the fiscal year. The federal government could begin with a pilot exercise to test the merits of limited rollover authority. Within certain federal departments, agency subcomponents should be given the authority to roll over up to 5 percent of the contract budget authority into the next fiscal year. To maximize success in reducing waste, the rollover accounts of agency subcomponents should be segregated. The separation of accounts increases the incentive to save, as only the agency subcomponents that achieve cost savings will be able to deploy those savings in subsequent fiscal years. Departments or agencies that wish to participate in the pilot program could submit a request to Congress, which could direct the Government Accountability Office (GAO) to oversee, audit, and evaluate the program.

A legitimate concern regarding carryover accounts is that they could have the perverse consequence of decreasing government accountability by serving as annual "rat holes."[11] Requiring midyear budget reviews could help address this concern and would further curb year-end spending surges. Executive departments should be required to submit midyear budget reviews to Congress and the GAO. These reviews would detail, by agency subcomponent, the anticipated expenditures for the remainder of the fiscal year, the anticipated surpluses at the end of the fiscal year, and the reasons for these surpluses. Midyear reports with similar components have yielded success in reducing use-it-or-lose-it pressures and year-end spending surges when tried at home in Oklahoma and overseas in Taiwan.[12] Of course, these midyear reviews would have limited value if Congress fails to conduct appropriate

9. Figure calculated by dividing the total amount of contract spending across the entire federal government in FY 2013 ($461,565,303,165.53, as reported by USASpending.gov) by the total amount of estimated federal government outlays during FY 2013 ($3,803,400,000,000.00, as reported by the Office of Management and Budget). USASpending.gov, "Data Feeds, Data Archives for Prime Award Spending Data," accessed June 30, 2014, https://www.usaspending.gov/data; Office of Management and Budget, Executive Office of the President, "Fiscal Year 2013 Historical Tables," 27 (table 1.3).
10. The federal fiscal year runs from October 1 to September 30.
11. L. R. Jones, "Outyear Budgetary Consequences of Agency Cost Savings: International Public Management Network Symposium," *International Public Management Review* 6, no. 1 (2005): 156.
12. Douglas and Franklin, "Putting the Brakes on the Rush to Spend Down End-of-Year Balances: Carryover Money in Oklahoma State Agencies," *Public Budgeting & Finance* 26, no. 3 (2006): 54 (Oklahoma); Uang and Liang, "Does Monitoring Frequency Affect Budget Execution Patterns?" (Taiwan).

oversight. If Congress fails to do so, these reports may just become mere paperwork exercises.

To further curb waste, an agency would be allowed to carry over up to 5 percent into a rollover account, but agencies would be permitted to carry over only 50 percent of any remaining balance in those accounts into the subsequent fiscal year. To avoid lengthy delays in the spending of rollover fund savings and to discourage large accumulations of rollover funds, such funds should be spent within two years.

These reforms may create undesirable new administrative burdens and could disrupt existing budgeting practices. However, the short-term costs would be outweighed by long-term benefits. These benefits include relieving agencies of a perceived pressure to spend remaining resources at the end of the fiscal year to protect their budgets from cuts, along with the public benefit of reducing wasteful expenditures associated with that pressure to spend. Furthermore, even if year-end spending spikes were not inherently wasteful, enabling executive departments to manage their budgets without artificial deadlines would likely improve the efficiency of spending by the departments and their subcomponents.

A pilot program that gives limited rollover authority to several departments, combined with congressional and GAO oversight of rollover accounts, would be a useful experiment to see whether these changes to the federal budget process would reduce wasteful year-end spending.

Thank you again for your time and this opportunity to testify today. I look forward to your questions.

Curbing the Surge in Year-End Federal Government Spending: Reforming "Use It or Lose It" Rules

Jason J. Fichtner and Robert Greene

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Abstract

The "use it or lose it" phenomenon refers to the propensity of US government agencies to spend unused financial resources toward the end of the fiscal year out of fear that leftover resources will be returned to the Department of the Treasury, and will prompt future congressional budget cuts for the agency. While anecdotes and media stories of year-end spending surges are widespread, empirical support for year-end spending surges or the motivation behind them is significantly less available. The budget and spending literature has examined the efficacy of policy solutions designed to curb year-end spending surges, but these studies have often been done without empirical evidence. In this paper, we examine existing literature on the prevalence, consequences, wastefulness, and causes of year-end spending surges. We then report executive departments' year-end obligated federal contract expenditure patterns using data obtained from USASpending.gov. We review literature on purported solutions to curb year-end spending surges, and conclude with a policy recommendation of our own.

JEL codes: H1, H6

Keywords: federal budget, budget reform, year-end spending, use-it-or-lose-it, government accountability

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Curbing the Surge in Year-End Federal Government Spending:

Reforming "Use It or Lose It" Rules

Jason J. Fichtner and Robert Greene

The "use it or lose it" phenomenon refers to the propensity of US government agencies to spend unused financial resources toward the end of the fiscal year out of fear that leftover resources will be returned to the Department of the Treasury and will prompt future congressional budget cuts for the agency. While anecdotes and media stories of year-end spending surges are widespread,[1] empirical evidence for year-end spending surges and use-it-or-lose-it spending or the motivation behind it is significantly less available.[2] As we discuss in the next section, while the budget and spending literature has examined the efficacy of various policy solutions designed to curb year-end spending surges, these studies often lack empirical evidence. In this paper, we examine existing literature on the prevalence, consequences, wastefulness, and causes of year-end spending surges. We then report executive departments' year-end obligated federal contract expenditure patterns, using data obtained from USASpending.gov.[3] We review literature on purported solutions to curb year-end spending and conclude with a policy recommendation.

[1] For example, see David Fahrenthold, "As Congress Fights over the Budget, Agencies Go on Their 'Use It or Lose It' Shopping Spree," *Washington Post*, September 28, 2013, http://www.washingtonpost.com/politics/as-congress-fights-over-the-budget-agencies-go-on-their-use-it-or-lose-it-shopping-sprees/2013/09/28/b8eef3cc-254c-11e3-b3e9-d97fb087acd6_story.html; Matthew Sabas, "'Use It or Lose It' Shows There's More Room to Cut Spending," Heritage Foundation, November 14, 2013, http://blog.heritage.org/2013/11/14/use-lose-shows-theres-room-cut-spending/.

[2] Jeffrey B. Liebman and Neale Mahoney, "Do Expiring Budgets Lead to Wasteful Year-End Spending? Evidence from Federal Procurement" (Working Paper 19481, National Bureau of Economic Research, Cambridge, MA, 2013).

[3] USASpending.gov compiles data from the General Services Administration, from the US Census Bureau, and directly from 31 departments and agencies of the executive branch through various government sources.

Literature Survey on Year-End Spending Surges and Whether Use It or Lose It Is to Blame

Research suggests that year-end spending surges may facilitate wasteful spending. In a 2007 survey of Department of Defense financial management and contracting careerists, 95 percent of the respondents believe there is a problem with year-end agency spending.[4] In their 2013 paper, economists Jeffrey Liebman and Neale Mahoney analyze data from the Federal Procurement Data System and the White House's IT Dashboard to show not only that is there a surge in federal spending at the end of the year, but also that this spending is of lower quality.[5] According to Liebman and Mahoney, at the end of a fiscal year, "the prospect of expiring funds" causes agencies to spend all their remaining resources, "even if the marginal value is below the social costs of funds (our definition of wasteful spending)."[6]

In 1998, the US General Accounting Office (GAO)[7] reported that the number of year-end spending surges had declined since 1980, when Congress and the GAO first looked at the issue.[8] Among more than 3,200 Inspectors General reports, the GAO found only one that linked poor contracting practices with a high rate of year-end spending.[9] However, the GAO cautions that its analysis is limited because of "agencies' widespread reporting noncompliance" and "the absence of complete and accurate reporting" of agencies' spending.[10] A 2007 study partially confirmed the existence of year-end spending surges on the federal

[4] Michael F. McPherson, "An Analysis of Year-End Spending and the Feasibility of a Carryover Incentive for Federal Agencies" (MBA Professional Report, Naval Postgraduate School, Monterey, CA, 2007).
[5] Liebman and Mahoney, "Expiring Budgets."
[6] Ibid., 1. "Our definition of wasteful spending" refers to Liebman and Mahoney's definition.
[7] On July 7, 2004, the General Accounting Office's name was changed to the Government Accountability Office by the GAO Human Capital Reform Act of 2004.
[8] US General Accounting Office, *Year-End Spending: Reforms Underway but Better Reporting and Oversight Needed*, GAO/AIMD-98-185 (Washington, DC: United States General Accounting Office, 1998).
[9] Ibid., 7.
[10] Ibid., 13.

level by analyzing the spending patterns of military hospitals that are completely reliant on congressional appropriations for funding.[11]

However, some observers point out that little empirical evidence exists to prove that there is a link between year-end spending surges and the US federal budget process. A panel of budget experts at the International Public Management Network Symposium largely concluded that while year-end spending surges exist, little empirical evidence supports the use-it-or-lose-it phenomenon.[12] Panel member Fred Thompson of Willamette University calls the use-it-or-lose-it phenomenon's key premise—that fears of future budget cuts drive exhaustive spending—an "urban legend."[13] He points to the timing of the budget process, explaining that budget proposals are "formulated during the prior fiscal year and enacted into law well before the books [close] on the current year."[14] He also argues that because year-end spending surges exist at agencies in state governments and in Canada, US federal budgeting patterns cannot be a unique source.[15] Panel member Robert D. Behn of Harvard University argues that year-end spending surges may in fact be "socially optimal" and doubts the assumption that they are inherently wasteful.[16]

A 2009 International Monetary Fund report found that year-end spending surges are a "commonly observed phenomenon in government administrations."[17] Such surges have occurred in Canada, Taiwan, and the United Kingdom, to name a few countries.[18]

[11] Ramji Balakrishnan et al., "Spending Patterns with Lapsing Budgets: Evidence from U.S. Army Hospitals," *Journal of Management Accounting Research* 19 (2007): 1–23.
[12] L. R. Jones, "Outyear Budgetary Consequences of Agency Cost Savings: International Public Management Network Symposium," *International Public Management Review* 6 (2005): 139–68.
[13] Ibid., 144.
[14] Ibid. However, it is worth noting that congressional action on appropriations is rarely complete by the start of the new fiscal year on temporary and limited continuing resolutions, which might disrupt any normal spending patterns.
[15] Ibid., 144.
[16] Ibid., 150–51.
[17] Ian Lienert and Gösta Ljungman, "Carry-Over of Budget Authority" (Public Financial Management Technical Guidance Note, Fiscal Affairs Department, International Monetary Fund, Washington, DC, 2009), 3.
[18] Rowena Crawford et al., "A Survey of Public Spending in the UK" (IFS Briefing Note BN43, Institute for Fiscal Studies, London, 2009); Noel Hyndman et al., "Annuality in Public Budgeting: An Exploratory Study" (research

On average, according to a 2009 study, 9.5 percent of UK central government funds are spent in the final month of the fiscal year.[19] UK public-sector expenditures were disproportionately high in the last quarter of fiscal year (FY) 1998 to FY 2003.[20] However, there may be positive, waste-reducing reasons for the late spending surge, such as ensuring that funds are available throughout the year.[21] Thus, while budgetary constraints similar to those in the United States may be facilitating year-end spending in the United Kingdom, the surge may not be entirely wasteful.

On the US state level, a 2012 report by Missouri's state auditor indicates that an annualized budget process does impact annual agency expenditure patterns and that a use-it-or-lose-it phenomenon does exist to a certain extent.[22] Between 2009 and 2011, various state agencies spent more than one-quarter of their total General Revenue Fund expenditures in the last two months of each fiscal year.[23] The audit finds that these expenditures resulted in expedited payments and higher inventory levels, and that inventory was "not placed into service in a timely manner."[24] State employees expressed concern that lapsing funds would result in future agency budget cuts.[25]

report, Chartered Institute of Management Accountants, London, 2005); Internal Audit Branch, Treasury Board of Canada Secretariat, *Government Wide Review of Year-End Spending*, 1995, http://www.tbs-sct.gc.ca/report/orp/1995/gwr-1995-eng.asp; Jinn-Yang Uang and Ching-Wan Liang, "Does Monitoring Frequency Affect Budget Execution Patterns?," *Asia Pacific Management Review* 17 (2012): 59–75.

[19] Crawford et al., "Survey of Public Spending," 12.

[20] Hyndman et al., "Annuality in Public Budgeting," 5.

[21] "It is natural for budget-holders to want, if possible, to wait until the demands of the financial year are clearer before they spend their budgets," and "many budgets are, by their nature, difficult to profile so exactly, not least because three months, and especially since those three months are in the middle of the UK's winter, can be an uncertain time." Ibid., 6.

[22] Thomas A. Schweich, *Statewide Year End Spending Practices* (Report No. 2012-44, Missouri State Auditor, Jefferson City, 2012).

[23] Ibid., 5.

[24] Ibid., 18.

[25] Ibid., 7.

Analysis of Year-End Obligated Executive Department Contract Expenditures

Given how few empirical analyses of year-end US agency spending exist, we developed our own analysis of federal contract spending trends. To do so, we obtained publicly available executive department prime contract award spending data from USASpending.gov.[26] We focused our analysis on this type of spending—which comprised roughly 12 percent of total 2013 federal spending[27]—because the data are readily available through the USASpending.gov Data Archive. USASpending.gov compiles data from the General Services Administration (GSA), the US Census Bureau, and directly from 31 departments and agencies of the executive branch through various government sources, including the following:[28]

- Federal Procurement Data System—Next Generation (operated by GSA)
- Federal Assistance Award Data System PLUS ("used by 31 departments and agencies of the Executive branch . . . to submit assistance award actions directly to USAspending.gov")[29]
- SmartPay (operated by GSA)
- Federal Assistance Award Data System (operated by the US Census Bureau)
- Catalog of Federal Domestic Assistance (operated by GSA)

[26] All data were accessed on June 30, 2014. All data used from FY 2003 through FY 2013 were last updated by USASpending.gov on June 17, 2014. Data from FY 2000–FY 2002 were last updated on July 15, 2013.
[27] Figure calculated by dividing the total amount of contract spending across the entire federal government in FY 2013 ($461,565,303,165.53, as reported by USASpending.gov) by the total amount of estimated federal government outlays during FY 2013 ($3,803,400,000,000.00, as reported by the Office of Management and Budget). USASpending.gov, "Data Feeds, Data Archives for Prime Award Spending Data," accessed June 30, 2014, http://usaspending.gov/data; Office of Management and Budget, Executive Office of the President, "Fiscal Year 2013 Historical Tables," 27 (table 1.3).
[28] USASpending.gov, "Data Feeds"; USASpending.gov, "Learn About USASpending.gov, Sources of Data," accessed June 30, 2014, http://usaspending.gov/learn?tab=About%20the%20Site.
[29] USASpending.gov, "Data Feeds."

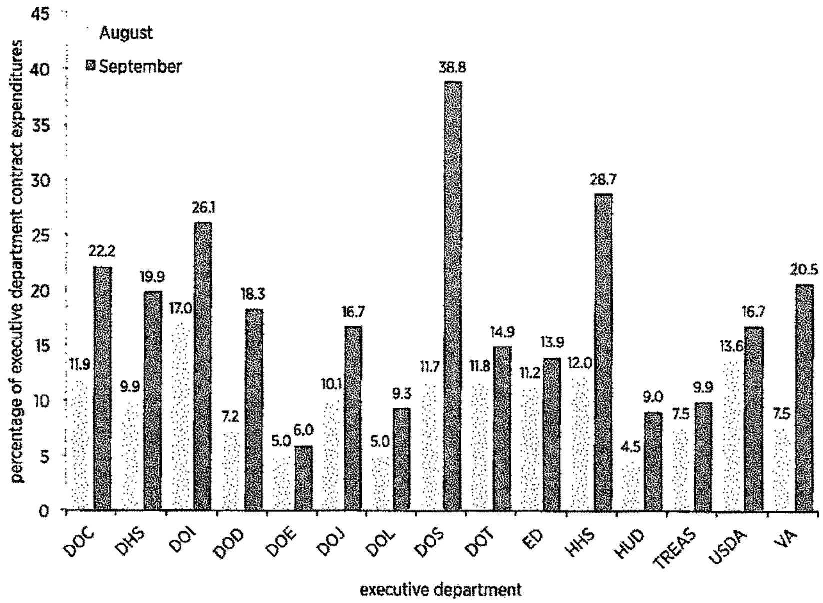
- Federal Funding Accountability and Transparency Act (FFATA) Subaward Reporting System (operated by GSA)
- Catalog of Federal Domestic Assistance (operated by GSA)

From USASpending.gov, we downloaded files containing detailed information on all contracts executed by each executive branch department for fiscal years 2000 through 2013. We then summed obligated monthly contract expenditures based on the date the contract was signed and the amount obligated by the contract, by department. We also summed all obligated amounts by fiscal year to determine each year's total contract expenditures. Using these monthly and annual tallies, we calculated monthly obligated contract expenditures as a percentage of annual fiscal year obligated contract expenditures by department for the first and last two months of each fiscal year. For a full list of our findings for these monthly obligated expenditures from 2000 through 2013, see the appendix.

Figure 1 shows that a remarkably large percentage of executive branch contract spending occurred near the end of FY 2013. If an agency were to spread its contract spending evenly over a 12-month period, roughly 8.33 percent of spending would occur in each month. However, in the last month of FY 2013 (September),[30] the Department of State spent 38.8 percent of its contracting expenditures and the Department of Health and Human Services spent 28.7 percent. Not all agencies exhibited a year-end surge in spending. For example, the Department of Energy spent only 6.0 percent of its annual contract expenditures. But, as the data show, most federal agencies were well above 8 percent and many were above 16 percent. The pattern of year-end spending surges is evident in other fiscal years as well, as the charts from FY 2012, FY 2011, and FY 2010 show (figures 2–4).

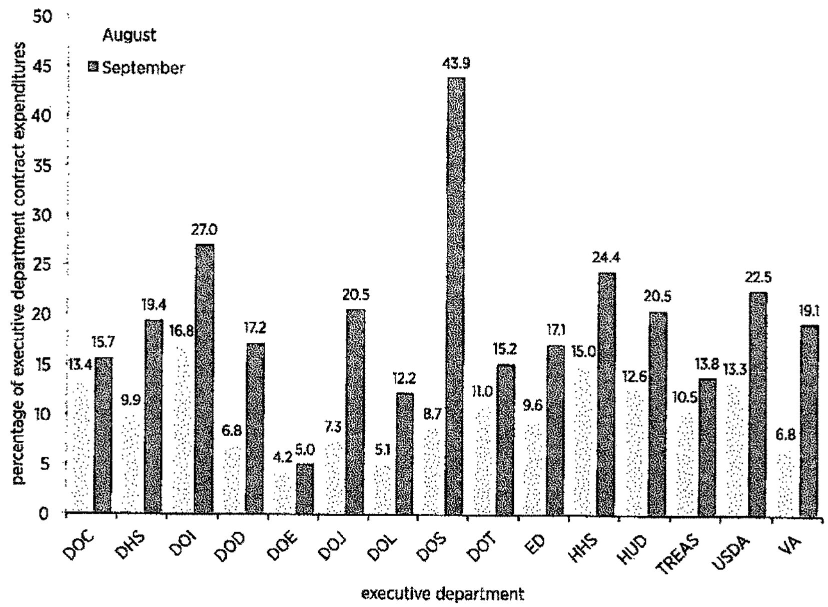
[30] The federal fiscal year runs from October 1 to September 30.

Figure 1. August and September Contract Expenditures, FY 2013



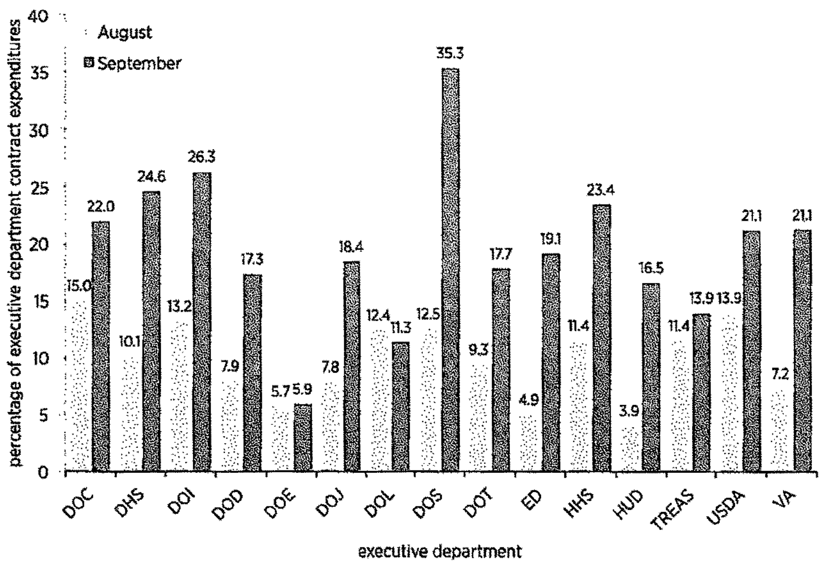
Source: USASpending.gov.
Note: See the appendix for a key for the executive department abbreviations.

Figure 2. August and September Contract Expenditures, FY 2012



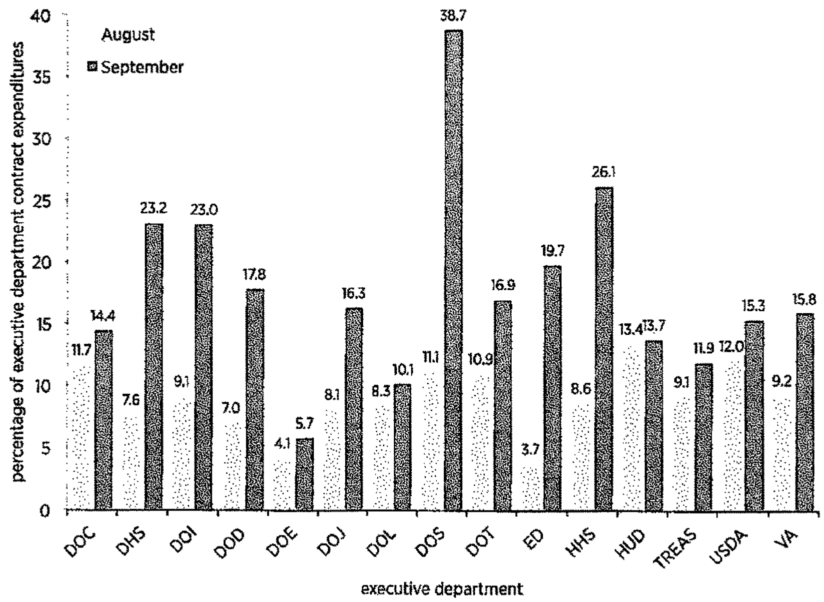
Source: USASpending.gov.
Note: See the appendix for a key for the executive department abbreviations.

Figure 3. August and September Contract Expenditures, FY 2011



Source: USASpending.gov.
Note: See the appendix for a key for the executive department abbreviations.

Figure 4. August and September Contract Expenditures, FY 2010



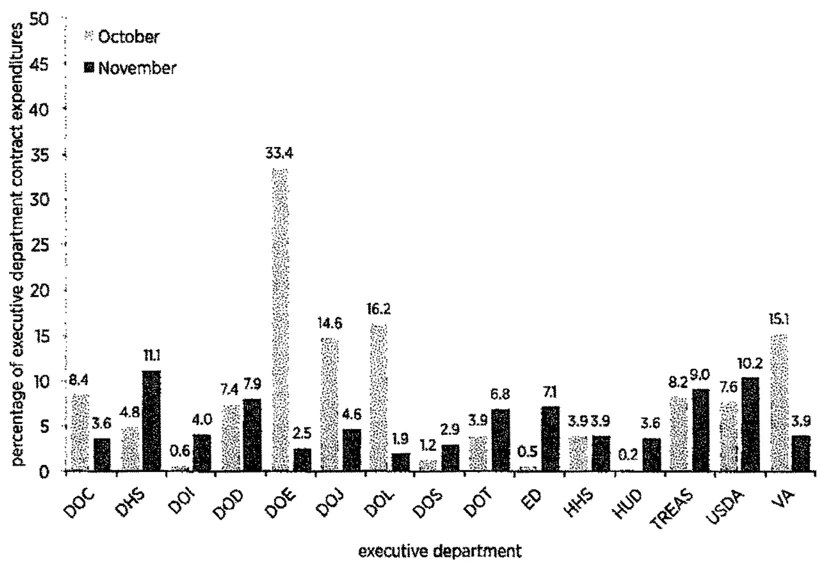
Source: USASpending.gov.
Note: See the appendix for a key for the executive department abbreviations.

It is unclear why the Department of State consistently spends a high level of contract expenditures during the last month of the fiscal year. This spending may not be wasteful, if the department is delaying spending throughout the fiscal year to ensure that it has enough funds to cover necessary end-of-year spending. However, news reports have suggested that some of this spending seems wasteful. For example, one article noted that the Department of State spent \$1,000,000 on a piece of granite artwork in September 2013 as the fiscal year was closing,[31] while another highlighted a \$5,000,000 expenditure on the eve of the 2013 government shutdown to enable high-end Vermont glassblower Simon Pearce "to provide 20 different styles of custom handcrafted stem and barware to the State Department for use in American embassies around the world."[32] An empirical study of reasons for the Department of State's high level of year-end contract spending does not exist. To address the concerns highlighted in the various news accounts, the GAO or State Department Inspector General should investigate the department's unusual contract spending trends to determine why these patterns occur and whether they are unusually wasteful.

Interestingly, some executive departments exhibit disproportionately high spending at the beginning of the fiscal year (see figures 5 and 6). This is likely due to agencies spending money as soon as budget resources become available, and it could explain why the Department of Energy spends a higher proportion of its funds in the first month of the fiscal year than in the last. However, most departments spend very low proportions of their budgets in the first two months of the fiscal year.

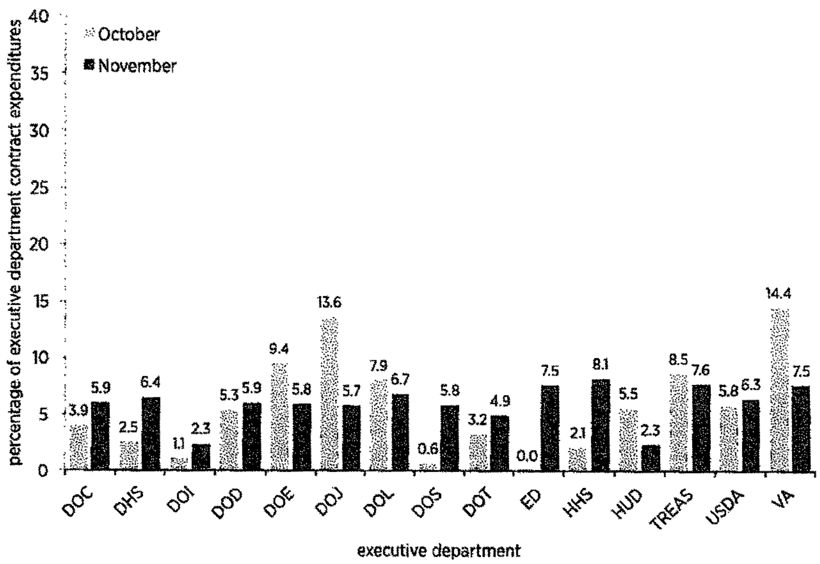
[31] Jeryl Bier, "State Department Buys Million Dollar Granite Sculpture from Irish-Born Artist," *Weekly Standard*, December 3, 2013, http://www.weeklystandard.com/blogs/state-department-buys-million-dollar-granite-sculpture-irish-artist_769513.html.
[32] Warren Johnston, "Simon Pearce Gets \$5 Million Contract," *Valley News*, October 6, 2013, http://www.vnews.com/news/8803589-95/simon-pearce-gets-5-million-contract.

Figure 5. October and November Contract Expenditures, FY 2013



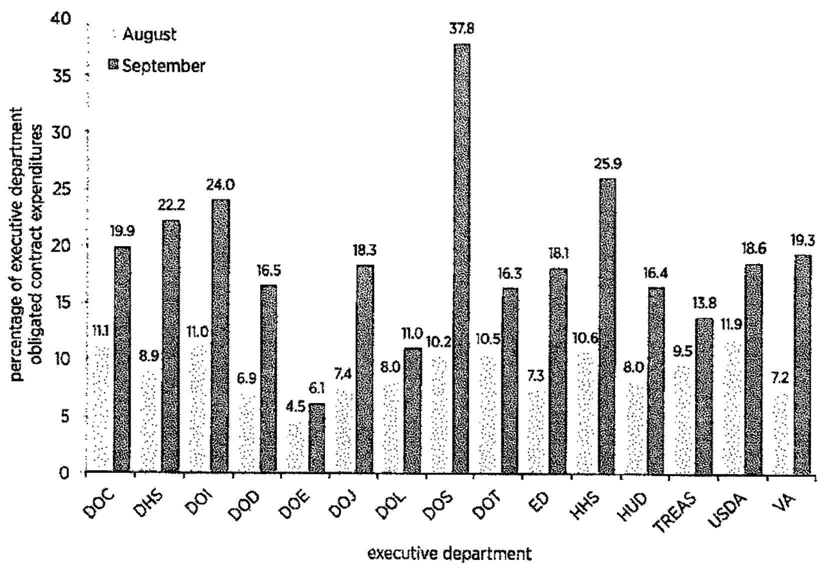
Source: USASpending.gov.
Note: See the appendix for a key for the executive department abbreviations.

Figure 6. October and November Contract Expenditures, FY 2012



Source: USASpending.gov.
Note: See the appendix for a key for the executive department abbreviations.

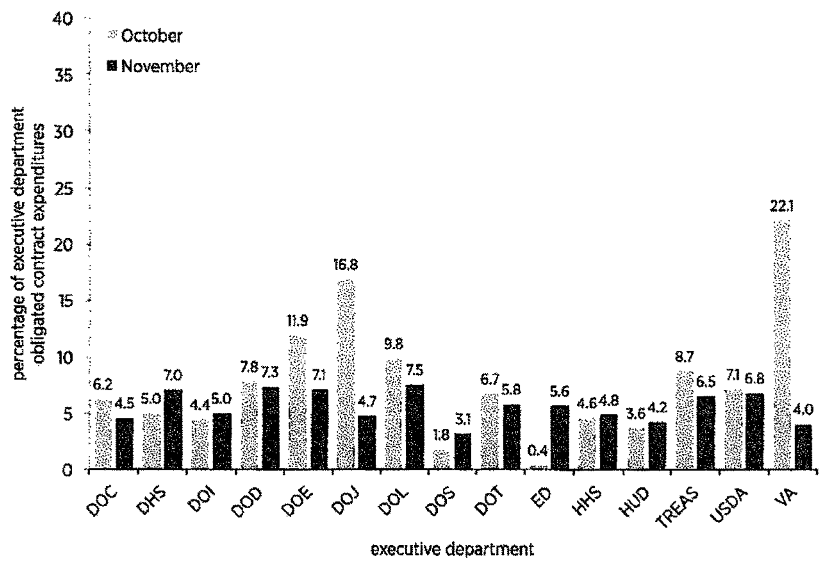
Figure 7. August and September Obligated Contract Expenditures, FY 2003–FY 2013



Source: USASpending.gov.
Note: See the appendix for a key for the executive department abbreviations.

To better understand each department's monthly spending patterns, we summed monthly expenditures by department for FY 2003 through FY 2013 and created a weighted average of each department's expenditures for every month as a percentage of its annual expenditures. As figure 7 shows, all but one executive department spent, on average, over 8.33 percent (the percentage that would be spent by month if spending were divided evenly between months) of annual expenditures during September, the final month of the fiscal year. On average, from 2003 through 2013, nine departments spent more than twice that much (over 16.66 percent) during September.

Figure 8. October and November Obligated Contract Expenditures, FY 2003–FY 2013

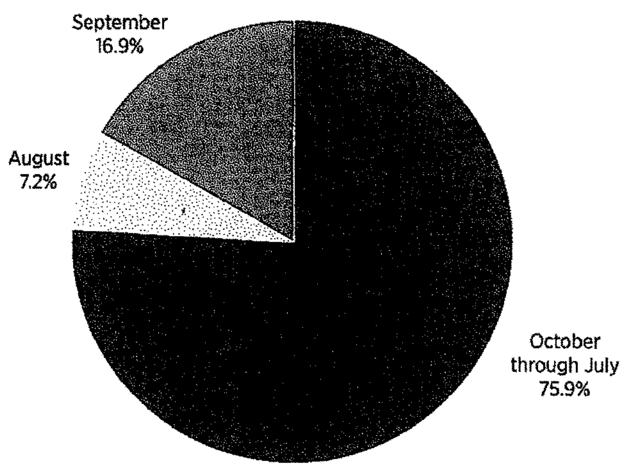


Source: USASpending.gov.
Note: See the appendix for a key for the executive department abbreviations.

Applying the same methodology, we find that between 2003 and 2013 several departments spent, on average, more than 8.33 percent during October, the first month of the fiscal year. However, as figure 8 illustrates, September expenditures are greater than October expenditures for all but two departments: the Department of Energy and the Department of Veterans Affairs.

Over the years and across departments, the trend of executive departments spending a disproportionately large amount of resources in the final month of the fiscal year is apparent, regardless of administration, party control of Congress, or delays in finalizing agency appropriations. Between 2003 and 2013, across all executive departments, 16.9 percent of obligated contract expenditures occurred during the month of September (see figure 9)—more than twice what we would expect if spending were split evenly over 12 months (8.3 percent per month).

Figure 9. Contract Expenditures as a Percentage of Total FY 2003–FY 2013 Obligated Contract Expenditures



Source: USASpending.gov.

Waste-Reducing Solutions for Year-End Spending Surges

Significantly more literature exists on how to curb year-end spending than empirical analyses on the extent to which such spending is wasteful. One of the most frequently discussed strategies is to grant agencies some degree of carry-over authority in their budgets.

Carry-over authority allows agencies to move a certain percentage of unspent funds from the fiscal year in which they were appropriated to the subsequent year. Because many carry-over programs have been implemented, a sizable amount of literature has assessed their impact on year-end spending surges. The results of these studies appear to be mixed.

Because of a 1992 law, the Department of Justice (DOJ), unlike other federal agencies, is allowed to carry over unlimited portions of unobligated balances that remain at the end of the fiscal year into a working capital fund.[33] These balances may accumulate and remain in the fund for an unlimited period and are used for "the department-wide acquisition of capital equipment, development and implementation of law enforcement or litigation related automated data processing systems, and for the improvement and implementation of the Department's financial management and payroll/personnel systems."[34]

As a result of this unique exception in the federal budgeting process, the DOJ's working capital fund has been the focus of multiple studies. In their recent paper, economists Liebman and Mahoney find that the DOJ's IT expenditures (which can tap the working capital fund) exhibit a relatively insignificant spending surge at the end of the fiscal year.[35] Year-end DOJ IT spending is also of relatively higher quality, suggesting that carry-over spending authority improves quality.[36] However, Liebman and Mahoney "caution that . . . DOJ evidence on quality is based on a single agency and a small number of contacts."[37] Including all DOJ expenditures, they find that the DOJ, on average, spends 17.9 percent of its budget in the final month of the year—more than six other executive departments and twice the monthly amount that would be spent if agency funds were spread evenly across each month.[38] Liebman and Mahoney explain a potential problem with DOJ's carry-over arrangement: "Unless the rollover balances stay with

[33] Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Act, 1992, Pub. L. No. 102-140, 28 U.S.C. § 527 note (1991).
[34] Ibid.
[35] Liebman and Mahoney, "Expiring Budgets," 29.
[36] Ibid.
[37] Ibid., 3.
[38] Ibid., 46 (table 2).

the same part of the organization that managed to save them, agency subcomponents will still have an incentive to use up the entirety of their allocations."[39]

A 2008 study by the Senate Subcommittee on Federal Financial Management casts doubt on the effectiveness of the DOJ's carry-over authority in curbing wasteful spending.[40] The study finds that the DOJ used this authority to accumulate and maintain unobligated fund balances in excess of $2.1 billion.[41] The study notes that the DOJ maintains a sizable working capital fund balance while simultaneously realizing expansions in its congressionally appropriated budget.[42] It recommends that DOJ accounts with large carry-over balances be subject to congressional oversight and that only 50 percent of unobligated funds be permitted to be carried over between fiscal years.[43] However, a 2012 GAO report finds that although the DOJ's working capital fund has been unavailable for departmental priorities in recent years, it has been effectively managed in compliance with the law and has helped curb agency costs.[44]

Michael McPherson's 2007 survey of Department of Defense financial management and contracting careerists finds that 75 percent favor a carry-over incentive.[45] And Robert McNab and Francois Melese argue that carry-over provisions enable departments to achieve cost savings by "defeating the 'use it or lose it' behavior associated with control oriented budgets."[46] L. R. Jones concludes that allowing agencies to obligate funds beyond the one year for which

[39] Ibid., 35.
[40] Tom Coburn, *Justice Denied: Waste & Mismanagement at the Department of Justice*, Subcomm. on Federal Financial Management, Government Information, Federal Services, and International Security (Office of Senator Tom Coburn, Washington, DC: 2008), 82–85.
[41] Ibid., 83.
[42] Ibid.
[43] Ibid., 85.
[44] US Government Accountability Office, *Department of Justice: Working Capital Fund Adheres to Some Key Operating Principles but Could Better Measure Performance and Communicate with Customers*, GAO-12-289 (Washington, DC: United States Government Accountability Office, 2012).
[45] McPherson, "Analysis of Year-End Spending," 42.
[46] McNab and Melese, "Implementing the GPRA: Examining the Prospects for Performance Budgeting in the Federal Government," *Public Budgeting & Finance* 23 (2003): 73–95, 82.

they are appropriated could enable increased efficiency.[47] In 1997, Oklahoma began to allow government agencies to retain unspent appropriated funds for as long as 16.5 months.[48] James Douglas and Aimee Franklin conducted a survey of Oklahoma agency officials, which found that 72.5 percent believe carry-over provisions reduce wasteful year-end spending.[49] Douglas and Franklin explain that the Oklahoma legislature grants certain state agencies the authority to carry over funds each fiscal year.[50] In early June, agencies are required to estimate the amount of surplus funds they will have at the end of the fiscal year and explain why the surplus occurred.[51] Generally, carry-over surpluses "must be spent on nonrecurring items to prevent agencies from relying on this type of money for regular operating expenditures."[52] However, 17.5 percent of the survey respondents found that Oklahoma's carry-over law creates a costly paperwork burden,[53] and 12.5 percent worried that the use of a carry-over would lead to cuts in balances and appropriations.[54]

Robert D. Behn of Harvard University expressed a similar concern at the International Public Management Network Symposium, citing multiple examples in which agencies saved surplus funds only to be required to give them back.[55] Thomas Gardner, administrative services director for the City of Ventura, California, also expressed reservations at the symposium about carry-over spending authority.[56] He explained that carry-over programs can incentivize "saving from over budgeting," leading to the creation of a "rat hole" in which the agency annually

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[47] Jones, "Outyear Budgetary Consequences," 167.
[48] Douglas and Franklin, "Putting the Brakes on the Rush to Spend Down End-of-Year Balances: Carryover Money in Oklahoma State Agencies," *Public Budgeting & Finance* 26 (2006): 46–64, 54.
[49] Ibid., 57 (table 1).
[50] Ibid., 54–55.
[51] Ibid., 55.
[52] Ibid., 65.
[53] Ibid., 57 (table 1).
[54] Ibid.
[55] Jones, "Outyear Budgetary Consequences," 151.
[56] Ibid., 156.

accumulates excess funds.[57] This is similar to the concern over DOJ's carry-over authority expressed in the 2008 Senate subcommittee report.[58]

At the international level, the net effectiveness of carry-over authority in curbing year-end expenditures and waste is similarly inconclusive. In 1998, the United Kingdom enabled government departments to carry over funds from one fiscal year to the next.[59] Research shows that this adjustment has had little effect on the disproportionately high level of spending that takes place at the end of the fiscal year.[60] In Canada, carry-over authority was granted to all executive departments but was limited to 5 percent of fiscal year operating budgets.[61] An audit found that while subsequent year-end expenditures remained disproportionately high, "these expenditures were not made based on decisions to incur expenditures at year-end, but were part of the Secretariat's annual planning process."[62]

In a 2009 International Monetary Fund Technical Guidance Note, Ian Lienert and Gösta Ljungman counsel that "despite their popularity in [Organisation of Economic Co-operation and Development] countries, carry-over is generally not advisable for the vast majority of capacity-constrained countries operating basic budget systems."[63] They warn that if the size of carry-overs is too large, a conflict can quickly escalate between "the spending priorities of the government and the action pursued by the budget manager."[64] For advanced countries such as the United States, the paper lists six preconditions that must be met before the country implements carry-over authority: accurate appropriations, well-developed accounting and

[57] Ibid.
[58] Coburn, *Justice Denied*, 82–85.
[59] Crawford et al., "Survey of Public Spending," 11–12.
[60] Ibid., 12.
[61] Internal Audit Branch, *Government Wide Review*.
[62] Ibid.
[63] Lienert and Ljungman, "Carry-Over of Budget Authority," 13.
[64] Ibid., 6.

reporting systems, access to financing, well-functioning internal control and external audit, devolved budget management powers, and medium-term approach to fiscal policy.[65] Even with these conditions, the authors recommend that carry-over be subject to a quantitative limit of 3–5 percent of the appropriation.[66]

Heightened budget transparency also may curb year-end spending. In 2002, Taiwan's government introduced a midyear budget execution review.[67] Government agencies determine the difference between amounts budgeted and actual results midway through the fiscal year (June in Taiwan, where the fiscal year ends in December).[68] The report is audited by the Ministry of Audit, then presented to the Congress, then made public.[69] According to a 2012 study of the Taiwan Ministry of National Defense's operations and maintenance budgets, the second half-year budget execution rate significantly decreased after the imposition of the midyear budget review.[70]

Policy Recommendations and Conclusion

Although correlation is not causation, and the data presented in this paper do not prove that wasteful year-end spending exists, some anecdotal evidence suggests that the current budget rule of use it or lose it is not optimal and may be encouraging wasteful spending of taxpayer dollars. The question remains: If such spending is indeed wasteful, what can be done to reduce it?

One idea expressed in the literature and discussed previously in this paper is to allow agencies limited rollover (also known as carry-over) authority for funds not spent by the end

[65] Ibid., 11–13.
[66] Ibid., 14.
[67] Uang and Liang, "Monitoring Frequency."
[68] Ibid., 64.
[69] Ibid.
[70] Ibid., 73.

of the fiscal year. But as Liebman and Mahoney point out, if subcomponent savings are aggregated at the agency level, subcomponents have a diminished incentive to save resources.[71]

To test the merits of limited rollover authority, we recommend that the federal government begin with a pilot exercise. Within certain federal departments, agency subcomponents should be given the authority to roll over up to 5 percent of the contract budget authority into the next fiscal year. McPherson notes that Canada "has had 5% carry forward limit for its federal agencies since 1987,"[72] and the 5 percent figure is along the lines suggested by Lienert and Ljungman in outlining best practices for agency rollover authority in advanced countries.[73] To maximize success in reducing waste, we recommend that rollover accounts of agency subcomponents be segregated. The separation of accounts increases the incentive to save, as only the agency subcomponents that achieve cost savings will be able to deploy those savings in subsequent fiscal years. Departments or agencies that wish to participate in the pilot program could submit a request to Congress, which could direct the GAO to oversee, audit, and evaluate the program.

A legitimate concern of carry-over accounts is that they could have the perverse consequence of decreasing government accountability by serving as annual "rat holes."[74] We believe midyear budget reviews could help address this concern and would further curb year-end spending surges. We recommend that executive departments be required to submit midyear budget reviews to Congress and the GAO in which they detail, by agency subcomponent, anticipated expenditures for the remainder of the fiscal year, anticipated surpluses at the end of

[71] Liebman and Mahoney, "Expiring Budgets," 35.
[72] McPherson, "Analysis of Year-End Spending," 28.
[73] Lienert and Ljungman, "Carry-Over of Budget Authority," 14.
[74] Jones, "Outyear Budgetary Consequences," 156.

the fiscal year, and the reasons for these surpluses. Midyear reports with similar components have yielded success in reducing use-it-or-lose-it pressures and year-end spending surges in Oklahoma and Taiwan.[75] Of course, these midyear reviews would have limited value if Congress fails to conduct appropriate oversight. If Congress does not, then these reports may just become mere paperwork—hardly our intended outcome.

To further curb waste, all rollover accounts—including DOJ's working capital fund—should be permitted to roll over only 50 percent of their balance into the subsequent fiscal year, as recommended by the 2008 Senate subcommittee report.[76] To avoid lengthy delays in rollover fund savings being spent and to discourage large accumulations of rollover funds, we also recommend that such funds be spent within two years.

These reforms may create undesirable new administrative burdens and could disrupt existing budgeting practices. However, we believe that the short-term costs would be outweighed by the long-term benefits of relieving government agencies of a perceived pressure to spend resources at the end of the fiscal year in order to protect their budgets from cuts, and of the wasteful expenditures associated with that pressure. Furthermore, even if year-end spending spikes are not inherently wasteful, enabling executive departments to manage their budgets without artificial deadlines would likely improve the efficiency of spending by the departments and their subcomponents.

Although the Department of Justice already has limited rollover authority for projects associated with its unique working capital fund, the DOJ experience is not generalizable to the rest of the federal government. Furthermore, observers have pointed out potentially wasteful consequences of the DOJ's fund structure. A pilot program that gave limited rollover authority to

[75] Douglas and Franklin, "End-of-Year Balances" (Oklahoma); Uang and Liang, "Monitoring Frequency" (Taiwan).
[76] Coburn, *Justice Denied*, 85.

several departments, combined with congressional and GAO oversight of rollover accounts, would be a useful experiment to see whether our proposed changes to the federal budget process would reduce wasteful year-end spending.

Appendix

Executive Department Abbreviations

DOC	Department of Commerce
DHS	Department of Homeland Security
DOI	Department of the Interior
DOD	Department of Defense
DOE	Department of Education
DOJ	Department of Justice
DOL	Department of Labor
DOS	Department of State
DOT	Department of Transportation
ED	Department of Education
HHS	Department of Health and Human Services
HUD	Department of Housing and Urban Development
TREAS	Department of the Treasury
USDA	Department of Agriculture
VA	Department of Veterans Affairs

October, November, August, and September (Last Month of the Fiscal Year) Executive Department Prime Contract Award Expenditures, FY 2000–FY 2013

Fiscal Year	Department	Total	October	November	August	September
2000*	DOC	$1,802,353,890	$156,790,405 *(8.7%)*	$93,308,000 *(5.2%)*	$79,429,350 *(4.4%)*	$452,129,038 *(25.1%)*
	DOI	$1,882,902,333	$82,713,184 *(4.4%)*	$297,378,636 *(15.8%)*	$138,537,342 *(7.4%)*	$598,387,528 *(31.8%)*
	DOD	$133,371,044,127	$10,183,792,203 *(7.6%)*	$12,750,301,450 *(9.6%)*	$10,677,730,111 *(8.0%)*	$15,450,244,427 *(11.6%)*
	DOE	$20,618,478,441	$3,359,352,782 *(16.3%)*	$8,948,069,885 *(43.4%)*	$580,472,422 *(2.8%)*	$646,419,597 *(3.1%)*
	DOJ	$3,317,730,125	$349,000,102 *(10.5%)*	$113,089,012 *(3.4%)*	$260,692,840 *(7.9%)*	$606,755,928 *(18.3%)*
	DOL	$1,292,653,980	$90,660,639 *(7.0%)*	$93,771,000 *(7.3%)*	$239,437,184 *(18.5%)*	$132,689,000 *(10.3%)*
	DOS	$1,286,380,304	$33,700,145 *(2.6%)*	$21,476,686 *(1.7%)*	$207,260,484 *(16.1%)*	$540,370,315 *(42.0%)*
	DOT	$1,845,981,198	$194,374,500 *(10.5%)*	$200,607,961 *(10.9%)*	$168,818,183 *(9.1%)*	$243,237,000 *(13.2%)*
	ED	$903,276,785	$45,400,397 *(5.0%)*	$19,995,000 *(2.2%)*	$93,893,626 *(10.4%)*	$200,642,698 *(22.2%)*
	HHS	$4,292,269,738	$177,470,302 *(4.1%)*	$157,162,845 *(3.7%)*	$415,329,198 *(9.7%)*	$1,721,309,515 *(40.1%)*
	HUD	$1,190,584,717	$28,115,449 *(2.4%)*	$17,497,699 *(1.5%)*	$53,011,867 *(4.5%)*	$226,978,072 *(19.1%)*
	TREAS	$2,869,512,599	$476,753,022 *(16.6%)*	$232,564,679 *(8.1%)*	$165,510,718 *(5.8%)*	$446,543,273 *(15.6%)*
	USDA	$3,071,450,435	$190,357,702 *(6.2%)*	$172,432,754 *(5.6%)*	$809,445,610 *(26.4%)*	$501,720,974 *(16.3%)*
	VA	$3,896,271,906	$1,003,164,904 *(25.7%)*	$70,700,309 *(1.8%)*	$148,399,890 *(3.8%)*	$751,985,073 *(19.3%)*

Fiscal Year	Department	Total	October	November	August	September
2001*	DOC	$1,255,105,308	$70,646,064 (5.6%)	$62,308,213 (5.0%)	$95,171,474 (7.6%)	$261,969,501 (20.9%)
	DOI	$2,091,340,509	$203,977,830 (9.8%)	$87,912,568 (4.2%)	$196,665,109 (9.4%)	$418,804,947 (20.0%)
	DOD	$145,230,237,672	$15,623,995,829 (10.8%)	$14,462,934,862 (10.0%)	$7,053,193,657 (4.9%)	$20,317,445,660 (14.0%)
	DOE	$23,034,804,957	$1,494,587,919 (6.5%)	$5,292,716,580 (23.0%)	$774,039,998 (3.4%)	$809,417,355 (3.5%)
	DOJ	$3,979,698,868	$534,098,821 (13.4%)	$255,747,871 (6.4%)	$278,933,126 (7.0%)	$674,240,430 (16.9%)
	DOL	$1,462,838,844	$198,764,756 (13.6%)	$129,093,815 (8.8%)	$164,393,797 (11.2%)	$141,278,518 (9.7%)
	DOS	$1,808,224,467	$28,867,495 (1.6%)	$27,272,284 (1.5%)	$117,115,359 (6.5%)	$603,159,025 (33.4%)
	DOT	$2,369,110,157	$171,291,526 (7.2%)	$312,536,913 (13.2%)	$139,589,531 (5.9%)	$404,541,889 (17.1%)
	ED	$1,093,221,719	$107,912,000 (9.9%)	$500,160 (0.0%)	$130,312,405 (11.9%)	$263,125,929 (24.1%)
	HHS	$5,335,945,090	$233,546,108 (4.4%)	$347,177,933 (6.5%)	$384,502,833 (7.2%)	$1,908,373,404 (35.8%)
	HUD	$865,779,482	$46,370,259 (5.4%)	$23,618,564 (2.7%)	$30,959,183 (3.6%)	$84,344,499 (9.7%)
	TREAS	$3,264,116,121	$424,429,370 (13.0%)	$258,199,076 (7.9%)	$240,566,942 (7.4%)	$568,005,044 (17.4%)
	USDA	$3,149,754,377	$207,930,610 (6.6%)	$247,305,413 (7.9%)	$283,069,792 (9.0%)	$706,787,866 (22.4%)
	VA	$4,354,792,585	$1,128,789,099 (25.9%)	$72,971,420 (1.7%)	$142,852,668 (3.3%)	$746,794,169 (17.1%)
2002	DOC	$1,596,048,401	$111,006,685 (7.0%)	$57,744,238 (3.6%)	$129,203,161 (8.1%)	$256,708,141 (16.1%)
	DHS	$624,586,052	$71,803,796 (11.5%)	$119,736,858 (19.2%)	$187,261,496 (30.0%)	$123,720,208 (19.8%)
	DOI	$2,254,609,754	$102,476,060 (4.5%)	$91,640,129 (4.1%)	$226,580,542 (10.0%)	$700,932,281 (31.1%)
	DOD	$171,017,523,960	$16,263,360,192 (9.5%)	$10,151,367,425 (5.9%)	$9,140,610,927 (5.3%)	$23,785,272,811 (13.9%)
	DOE	$23,993,867,910	$1,299,272,689 (5.4%)	$3,046,811,390 (12.7%)	$822,195,016 (3.4%)	$1,061,450,837 (4.4%)
	DOJ	$4,290,080,411	$573,059,422 (13.4%)	$161,637,345 (3.8%)	$415,156,601 (9.7%)	$876,781,586 (20.4%)
	DOL	$1,878,589,483	$336,226,118 (17.9%)	$187,912,536 (10.0%)	$197,911,102 (10.5%)	$144,996,036 (7.7%)
	DOS	$2,652,499,892	$51,063,440 (1.9%)	$52,112,320 (2.0%)	$230,411,198 (8.7%)	$1,204,913,259 (45.4%)
	DOT	$3,922,889,045	$322,271,539 (8.2%)	$132,038,305 (3.4%)	$1,160,421,042 (29.6%)	$630,676,094 (16.1%)
	ED	$921,234,536	$206,724,413 (22.4%)	$73,477,024 (8.0%)	$32,805,875 (3.6%)	$190,953,179 (20.7%)
	HHS	$7,020,872,548	$176,136,064 (2.5%)	$248,897,001 (3.5%)	$613,704,798 (8.7%)	$2,249,612,931 (32.0%)
	HUD	$942,603,422	$107,547,789 (11.4%)	$3,179,500 (0.3%)	$73,727,404 (7.8%)	$134,068,953 (14.2%)
	TREAS	$3,545,082,541	$412,306,338 (11.6%)	$275,900,154 (7.8%)	$247,533,764 (7.0%)	$586,657,341 (16.5%)
	USDA	$3,075,326,663	$232,306,840 (7.6%)	$223,897,942 (7.3%)	$317,970,959 (10.3%)	$777,874,108 (25.3%)
	VA	$4,730,597,911	$939,784,741 (19.9%)	$83,823,473 (1.8%)	$161,365,273 (3.4%)	$1,025,377,108 (21.7%)
2003	DOC	$1,380,195,943	$71,982,942 (5.2%)	$30,394,750 (2.2%)	$97,721,341 (7.1%)	$278,396,855 (20.2%)
	DHS	$4,047,582,025	$22,733,591 (0.6%)	$10,789,536 (0.3%)	$322,136,896 (8.0%)	$794,117,799 (19.6%)
	DOI	$3,811,946,910	$114,519,329 (3.0%)	$198,148,698 (5.2%)	$380,184,151 (10.0%)	$874,592,674 (22.9%)
	DOD	$212,858,910,762	$17,568,503,908 (8.3%)	$19,441,647,547 (9.1%)	$14,343,732,072 (6.7%)	$30,055,153,140 (14.1%)
	DOE	$30,510,088,748	$2,392,983,632 (7.8%)	$2,145,619,102 (7.0%)	$585,837,243 (1.9%)	$1,440,667,635 (4.7%)
	DOJ	$3,374,272,982	$532,917,530 (15.8%)	$141,674,386 (4.2%)	$247,019,892 (7.3%)	$777,941,524 (23.1%)
	DOL	$1,688,265,411	$194,619,639 (11.5%)	$235,583,535 (14.0%)	$106,630,856 (6.3%)	$165,709,998 (9.8%)
	DOS	$3,472,713,808	$47,440,741 (1.4%)	$72,411,634 (2.1%)	$223,831,349 (6.4%)	$1,875,207,654 (54.0%)
	DOT	$2,642,291,019	$429,160,951 (16.2%)	$440,087,858 (16.7%)	$187,180,645 (7.1%)	$228,007,896 (8.6%)
	ED	$1,125,490,495	$5,753,040 (0.5%)	$49,697,714 (4.4%)	$93,387,667 (8.3%)	$225,292,200 (20.0%)
	HHS	$7,779,572,696	$197,161,954 (2.5%)	$237,564,242 (3.1%)	$638,490,243 (8.2%)	$2,831,558,984 (36.4%)
	HUD	$1,062,135,157	$7,275,677 (0.7%)	$28,577,613 (2.7%)	$203,014,088 (19.1%)	$135,464,771 (12.8%)
	TREAS	$3,005,304,668	$532,518,739 (17.7%)	$139,819,237 (4.7%)	$168,262,580 (5.6%)	$280,868,603 (9.3%)
	USDA	$4,533,267,440	$372,099,234 (8.2%)	$256,709,534 (5.7%)	$469,056,573 (10.3%)	$1,169,332,206 (25.8%)
	VA	$6,850,650,044	$1,169,852,223 (17.1%)	$84,264,749 (1.2%)	$315,423,426 (4.6%)	$2,154,307,906 (31.4%)
2004	DOC	$1,776,052,150	$98,704,412 (5.6%)	$34,280,330 (1.9%)	$142,296,693 (8.0%)	$338,600,978 (19.1%)
	DHS	$7,880,856,596	$569,490,108 (7.2%)	$369,709,007 (4.7%)	$865,812,057 (11.0%)	$1,341,076,615 (17.0%)
	DOI	$4,681,836,397	$354,716,815 (7.6%)	$267,278,084 (5.7%)	$445,093,152 (9.5%)	$774,127,690 (16.5%)
	DOD	$231,083,116,330	$28,208,189,303 (12.2%)	$19,250,342,690 (8.3%)	$13,518,805,466 (5.8%)	$26,560,569,693 (11.5%)
	DOE	$21,825,805,821	$1,837,519,099 (8.4%)	$1,500,876,592 (6.9%)	$457,026,403 (2.1%)	$946,373,368 (4.3%)
	DOJ	$4,062,623,308	$607,010,664 (14.9%)	$152,701,330 (3.8%)	$322,411,996 (7.9%)	$734,731,097 (18.1%)
	DOL	$1,782,120,505	$211,361,630 (11.8%)	$168,566,712 (9.4%)	$182,224,820 (10.2%)	$253,529,087 (14.3%)
	DOS	$4,161,816,700	$226,506,626 (5.4%)	$175,187,804 (4.2%)	$293,079,037 (7.0%)	$1,490,023,310 (35.8%)
	DOT	$2,188,695,294	$735,716,435 (33.8%)	$44,709,608 (2.1%)	$178,828,929 (8.2%)	$286,513,600 (13.0%)
	ED	$1,455,270,954	$1,476,181 (0.1%)	$6,008,006 (0.4%)	$98,392,570 (6.8%)	$321,608,926 (22.1%)
	HHS	$8,565,520,523	$321,338,467 (3.8%)	$217,400,357 (2.5%)	$1,001,622,667 (11.7%)	$2,693,937,213 (31.4%)
	HUD	$1,165,518,210	$19,678,744 (1.7%)	$14,093,121 (1.2%)	$61,731,387 (5.3%)	$208,110,662 (17.9%)
	TREAS	$4,677,988,726	$381,227,085 (8.2%)	$175,246,765 (3.7%)	$634,521,140 (13.6%)	$1,112,723,130 (23.8%)
	USDA	$4,091,605,935	$353,412,588 (8.6%)	$244,472,537 (6.0%)	$462,293,942 (11.3%)	$721,553,300 (17.6%)
	VA	$7,640,283,084	$2,412,455,519 (31.6%)	$108,461,740 (1.4%)	$350,770,360 (4.6%)	$1,256,512,893 (16.4%)

Fiscal Year	Department	Total	October	November	August	September
2005	DOC	$2,054,049,763	$94,671,398 (4.6%)	$52,284,710 (2.5%)	$238,336,733 (11.5%)	$485,543,862 (23.5%)
	DHS	$12,786,767,783	$468,089,764 (3.7%)	$944,266,932 (6.9%)	$713,468,476 (5.6%)	$5,334,019,706 (41.9%)
	DOI	$4,922,637,819	$390,957,802 (7.9%)	$315,619,683 (6.4%)	$450,442,960 (9.2%)	$983,542,653 (20.0%)
	DOD	$270,868,494,757	$32,752,828,084 (12.1%)	$21,323,491,890 (7.9%)	$14,998,896,942 (5.5%)	$36,517,838,883 (13.5%)
	DOE	$23,221,641,916	$2,505,506,258 (10.8%)	$716,395,830 (3.1%)	$819,212,136 (3.5%)	$1,457,503,635 (6.3%)
	DOJ	$4,534,931,226	$1,299,759,048 (28.7%)	$203,592,426 (4.5%)	$318,187,286 (7.0%)	$822,078,481 (18.1%)
	DOL	$1,723,947,630	$239,306,122 (13.9%)	$93,172,671 (5.4%)	$127,000,594 (7.4%)	$278,681,579 (16.2%)
	DOS	$5,893,503,806	$217,452,999 (3.7%)	$103,845,547 (1.8%)	$591,015,081 (10.0%)	$1,864,138,907 (31.6%)
	DOT	$1,693,533,590	$265,708,869 (16.0%)	$75,845,478 (4.6%)	$241,923,114 (13.6%)	$246,475,532 (14.6%)
	ED	$1,403,739,579	$1,607,226 (0.1%)	$70,929,361 (5.1%)	$148,097,419 (10.6%)	$306,848,045 (21.9%)
	HHS	$10,230,108,487	$297,694,898 (2.9%)	$1,148,715,974 (11.2%)	$901,057,443 (8.8%)	$2,821,537,679 (27.6%)
	HUD	$1,077,171,472	$44,365,817 (4.1%)	$67,872,073 (6.3%)	$56,772,632 (5.3%)	$180,767,870 (16.5%)
	TREAS	$3,648,625,894	$276,377,542 (7.6%)	$232,156,931 (6.4%)	$337,751,956 (9.3%)	$540,394,811 (14.8%)
	USDA	$4,062,941,929	$315,147,251 (7.8%)	$251,006,522 (6.2%)	$418,701,918 (10.3%)	$636,932,617 (15.7%)
	VA	$9,167,942,840	$1,970,028,167 (21.5%)	$199,257,097 (2.2%)	$960,057,456 (10.5%)	$1,426,361,049 (15.6%)
2006	DOC	$2,244,435,471	$124,856,157 (5.6%)	$69,541,283 (3.1%)	$206,074,348 (9.2%)	$522,291,916 (23.3%)
	DHS	$16,478,953,844	$1,387,729,168 (8.4%)	$1,211,226,452 (7.4%)	$1,170,465,684 (7.1%)	$2,380,594,098 (14.4%)
	DOI	$4,741,022,124	$331,359,390 (7.0%)	$330,849,201 (7.0%)	$436,040,204 (9.2%)	$937,776,007 (19.8%)
	DOD	$300,588,766,778	$23,351,608,232 (7.8%)	$17,678,562,570 (5.9%)	$20,900,883,451 (7.0%)	$45,127,648,955 (15.3%)
	DOE	$22,948,865,247	$2,080,872,303 (9.1%)	$1,200,107,027 (5.2%)	$2,406,282,548 (10.5%)	$1,278,147,154 (5.6%)
	DOJ	$4,941,595,765	$1,361,765,797 (27.6%)	$228,428,845 (4.6%)	$338,602,758 (6.9%)	$820,386,819 (16.6%)
	DOL	$1,775,705,299	$185,646,239 (10.5%)	$171,585,442 (9.7%)	$149,073,564 (8.4%)	$178,257,919 (10.0%)
	DOS	$5,400,422,326	$231,946,321 (4.3%)	$241,516,784 (4.5%)	$634,796,004 (11.8%)	$1,606,737,400 (29.8%)
	DOT	$2,261,348,586	$210,148,693 (9.3%)	$72,048,318 (3.2%)	$228,945,021 (10.1%)	$544,720,361 (24.1%)
	ED	$1,416,793,552	$531,448 (0.0%)	$71,188,291 (5.0%)	$94,243,766 (6.7%)	$279,060,819 (19.7%)
	HHS	$12,656,213,687	$723,163,258 (5.7%)	$465,747,308 (3.7%)	$1,235,640,393 (9.8%)	$2,898,596,991 (22.9%)
	HUD	$1,094,020,530	$60,052,358 (5.5%)	$68,719,679 (6.3%)	$52,795,239 (4.8%)	$190,574,533 (17.4%)
	TREAS	$4,157,556,799	$297,566,723 (7.2%)	$224,537,058 (5.4%)	$391,756,078 (9.4%)	$637,541,038 (15.3%)
	USDA	$4,159,688,645	$421,751,986 (10.1%)	$291,091,752 (7.0%)	$425,189,002 (10.2%)	$684,732,942 (16.5%)
	VA	$10,612,797,849	$4,131,765,660 (38.9%)	$299,613,258 (2.8%)	$571,637,622 (5.4%)	$1,481,032,872 (14.0%)
2007	DOC	$2,243,000,396	$61,241,410 (2.7%)	$49,499,432 (2.2%)	$390,731,574 (17.4%)	$441,395,545 (19.7%)
	DHS	$12,459,981,568	$616,632,827 (4.9%)	$830,296,533 (6.7%)	$1,832,786,523 (14.7%)	$2,253,717,561 (18.1%)
	DOI	$4,093,571,712	$250,017,211 (6.1%)	$208,531,102 (5.1%)	$374,580,064 (9.2%)	$1,050,008,842 (25.7%)
	DOD	$333,663,116,058	$29,288,081,423 (8.8%)	$31,490,446,704 (9.4%)	$23,750,571,471 (7.1%)	$48,769,044,694 (14.6%)
	DOE	$23,394,695,765	$2,032,744,485 (8.7%)	$1,026,690,209 (4.4%)	$1,154,570,019 (4.9%)	$1,636,628,457 (7.0%)
	DOJ	$7,037,370,767	$1,176,955,263 (16.7%)	$251,758,214 (3.6%)	$420,839,794 (6.0%)	$1,057,772,438 (15.0%)
	DOL	$1,857,811,233	$258,066,856 (13.9%)	$55,510,848 (3.0%)	$135,913,298 (7.3%)	$173,741,119 (9.4%)
	DOS	$5,995,449,696	$129,558,857 (2.2%)	$111,466,329 (1.9%)	$556,027,620 (9.3%)	$2,487,474,647 (41.5%)
	DOT	$4,791,686,915	$207,388,968 (4.3%)	$230,084,160 (4.8%)	$679,176,192 (14.2%)	$688,491,555 (14.4%)
	ED	$1,448,873,321	$1,894,923 (0.1%)	$39,445,139 (2.7%)	$68,291,167 (4.7%)	$335,473,938 (23.2%)
	HHS	$14,321,963,135	$768,363,763 (5.4%)	$666,038,958 (4.7%)	$1,205,623,242 (8.4%)	$3,288,354,991 (23.0%)
	HUD	$846,076,866	$61,983,746 (7.3%)	$25,077,948 (3.0%)	$59,762,769 (7.1%)	$119,423,166 (14.1%)
	TREAS	$4,133,237,462	$353,444,636 (8.6%)	$242,263,263 (5.9%)	$379,736,203 (9.2%)	$543,907,600 (13.2%)
	USDA	$4,622,481,039	$266,312,713 (5.8%)	$270,335,755 (5.8%)	$611,796,781 (13.2%)	$818,213,705 (17.7%)
	VA	$12,698,469,425	$1,797,940,763 (14.2%)	$555,833,105 (4.4%)	$1,166,202,777 (9.2%)	$2,894,085,700 (22.8%)
2008	DOC	$2,492,941,301	$72,824,710 (2.9%)	$124,881,444 (5.0%)	$239,947,713 (9.6%)	$598,412,290 (24.0%)
	DHS	$14,033,454,696	$691,533,642 (4.9%)	$571,732,840 (4.1%)	$1,121,996,114 (8.0%)	$3,216,972,430 (22.9%)
	DOI	$3,803,206,804	$172,428,465 (4.5%)	$153,851,970 (4.0%)	$421,702,499 (11.1%)	$979,960,991 (25.8%)
	DOD	$397,497,817,762	$26,371,865,019 (6.6%)	$25,988,788,404 (6.5%)	$29,120,595,768 (7.3%)	$84,379,529,870 (21.2%)
	DOE	$24,194,359,764	$1,792,970,116 (7.4%)	$1,398,004,919 (5.8%)	$1,060,415,557 (4.4%)	$1,491,675,595 (6.2%)
	DOJ	$5,893,464,182	$874,784,863 (14.8%)	$316,637,822 (5.4%)	$369,363,264 (6.3%)	$1,083,218,426 (18.4%)
	DOL	$1,839,807,842	$159,789,389 (8.7%)	$155,473,686 (8.5%)	$165,868,399 (9.0%)	$139,664,941 (7.6%)
	DOS	$6,185,436,092	$120,698,113 (2.0%)	$168,247,144 (2.7%)	$656,493,968 (10.6%)	$2,119,023,863 (34.3%)
	DOT	$5,696,223,135	$348,193,874 (6.1%)	$252,633,590 (4.4%)	$448,647,827 (7.9%)	$1,094,957,588 (19.2%)
	ED	$1,379,118,056	$11,147,769 (0.8%)	$62,136,141 (4.5%)	$61,440,814 (4.5%)	$189,413,235 (13.7%)
	HHS	$13,832,674,327	$1,070,885,962 (7.7%)	$508,548,388 (3.7%)	$1,237,535,420 (8.9%)	$3,483,550,118 (25.2%)
	HUD	$990,128,306	$98,522,280 (10.0%)	$6,069,500 (0.6%)	$56,687,503 (5.7%)	$213,480,220 (21.6%)
	TREAS	$4,561,017,940	$357,159,236 (7.8%)	$320,313,202 (7.0%)	$417,772,132 (9.2%)	$530,743,837 (11.6%)
	USDA	$5,337,927,668	$440,702,437 (8.3%)	$377,239,173 (7.1%)	$670,207,124 (12.6%)	$857,107,711 (16.1%)
	VA	$14,924,536,098	$5,956,881,399 (39.9%)	$397,070,152 (2.7%)	$772,372,263 (5.2%)	$3,118,293,411 (20.9%)

Fiscal Year	Department	Total	October	November	August	September
2009	DOC	$3,213,084,372	$254,223,686 (7.9%)	$158,911,149 (4.9%)	$207,044,933 (6.4%)	$613,352,563 (19.1%)
	DHS	$14,286,606,249	$865,065,295 (6.1%)	$1,172,024,433 (8.2%)	$1,017,378,667 (7.1%)	$3,068,370,674 (21.5%)
	DOI	$4,342,778,484	$170,488,001 (3.9%)	$271,961,508 (6.3%)	$409,600,788 (9.4%)	$1,465,420,795 (33.7%)
	DOD	$373,208,447,472	$30,527,212,743 (8.2%)	$26,968,720,107 (7.2%)	$26,141,856,854 (7.0%)	$61,528,278,813 (16.5%)
	DOE	$31,656,515,505	$5,398,467,318 (17.1%)	$854,706,614 (2.7%)	$1,325,291,524 (4.2%)	$3,066,341,762 (9.7%)
	DOJ	$7,617,069,978	$1,338,903,026 (17.6%)	$335,214,733 (4.4%)	$462,894,162 (6.1%)	$1,647,414,679 (21.6%)
	DOL	$2,047,850,645	$163,836,674 (8.0%)	$104,581,504 (5.1%)	$172,520,513 (8.4%)	$226,451,326 (11.1%)
	DOS	$7,479,746,657	$57,026,507 (0.8%)	$216,653,492 (2.9%)	$716,998,253 (9.6%)	$2,735,641,007 (36.6%)
	DOT	$5,802,045,197	$344,236,811 (5.9%)	$427,365,857 (7.4%)	$598,970,908 (10.3%)	$1,022,886,726 (17.6%)
	ED	$1,507,616,631	$7,917,332 (0.5%)	$114,255,653 (7.6%)	$101,911,673 (6.8%)	$187,398,030 (12.4%)
	HHS	$19,538,083,037	$1,037,674,356 (5.3%)	$535,241,919 (2.7%)	$2,106,257,740 (10.8%)	$4,740,437,242 (24.3%)
	HUD	$868,865,796	$100,482,655 (11.6%)	$31,528,564 (3.6%)	$51,768,509 (6.0%)	$216,452,214 (24.9%)
	TREAS	$4,895,087,737	$482,087,542 (9.8%)	$341,541,562 (7.0%)	$379,253,356 (7.7%)	$721,879,318 (14.7%)
	USDA	$5,417,054,539	$420,523,508 (7.8%)	$379,270,133 (7.0%)	$500,498,433 (9.2%)	$1,051,090,110 (19.4%)
	VA	$14,810,192,007	$4,185,780,355 (28.3%)	$601,222,245 (4.1%)	$1,059,276,531 (7.2%)	$2,497,823,676 (16.9%)
2010	DOC	$3,952,524,674	$407,369,804 (10.3%)	$389,834,283 (9.9%)	$460,946,166 (11.7%)	$570,230,630 (14.4%)
	DHS	$13,576,479,219	$593,733,418 (4.4%)	$798,251,625 (5.9%)	$1,033,055,104 (7.6%)	$3,143,322,305 (23.2%)
	DOI	$6,165,230,029	$176,563,667 (2.9%)	$284,496,307 (4.6%)	$562,705,875 (9.1%)	$1,418,940,197 (23.0%)
	DOD	$367,962,894,340	$21,904,811,763 (6.0%)	$25,169,667,353 (6.8%)	$25,693,994,437 (7.0%)	$65,431,500,254 (17.8%)
	DOE	$25,692,022,456	$1,730,061,111 (6.7%)	$8,243,055,792 (32.1%)	$1,060,902,543 (4.1%)	$1,474,287,716 (5.7%)
	DOJ	$6,751,935,837	$928,758,683 (13.8%)	$367,004,086 (5.4%)	$544,930,388 (8.1%)	$1,098,397,957 (16.3%)
	DOL	$2,239,037,335	$91,313,902 (4.1%)	$188,134,738 (8.4%)	$186,904,201 (8.3%)	$225,974,265 (10.1%)
	DOS	$8,137,422,558	$64,099,785 (0.8%)	$226,125,669 (2.8%)	$905,392,852 (11.1%)	$3,152,027,024 (38.7%)
	DOT	$6,322,029,932	$189,016,249 (3.0%)	$340,330,780 (5.4%)	$690,848,766 (10.9%)	$1,068,724,961 (16.9%)
	ED	$1,835,448,675	$1,145,496 (0.1%)	$86,007,380 (4.7%)	$67,409,746 (3.7%)	$361,416,076 (19.7%)
	HHS	$19,131,133,732	$1,282,725,641 (6.7%)	$676,845,059 (3.5%)	$1,642,141,793 (8.6%)	$4,988,361,263 (26.1%)
	HUD	$1,673,229,217	$6,612,930 (0.4%)	$7,745,967 (0.5%)	$223,394,639 (13.4%)	$228,790,523 (13.7%)
	TREAS	$6,089,314,957	$569,592,972 (9.4%)	$365,116,232 (6.0%)	$554,955,055 (9.1%)	$721,712,042 (11.9%)
	USDA	$6,136,997,239	$282,341,906 (4.6%)	$407,105,251 (6.6%)	$736,140,656 (12.0%)	$937,736,411 (15.3%)
	VA	$16,235,855,987	$2,363,248,165 (14.6%)	$900,129,399 (5.5%)	$1,498,870,552 (9.2%)	$2,567,188,619 (15.8%)
2011	DOC	$2,382,062,297	$173,199,571 (7.3%)	$68,070,487 (2.9%)	$356,914,983 (15.0%)	$522,911,390 (22.0%)
	DHS	$14,240,554,935	$580,594,566 (4.1%)	$1,384,454,854 (9.7%)	$1,435,874,871 (10.1%)	$3,507,241,766 (24.6%)
	DOI	$4,176,984,153	$111,885,150 (2.7%)	$140,602,205 (3.4%)	$549,678,375 (13.2%)	$1,099,389,055 (26.3%)
	DOD	$374,160,151,829	$23,750,771,433 (6.3%)	$26,115,939,042 (7.0%)	$29,564,937,020 (7.9%)	$64,668,063,888 (17.3%)
	DOE	$25,091,037,810	$2,785,938,092 (11.1%)	$500,961,980 (2.0%)	$1,418,593,707 (5.7%)	$1,476,274,323 (5.9%)
	DOJ	$7,322,861,881	$918,892,629 (12.5%)	$390,699,439 (5.3%)	$572,708,464 (7.8%)	$1,343,965,720 (18.4%)
	DOL	$1,964,143,750	$70,645,920 (3.6%)	$224,252,413 (11.4%)	$242,784,760 (12.4%)	$221,430,855 (11.3%)
	DOS	$9,179,887,383	$42,843,107 (0.5%)	$241,882,000 (2.6%)	$1,146,582,096 (12.5%)	$3,238,722,075 (35.3%)
	DOT	$6,310,227,606	$187,643,888 (3.0%)	$286,347,153 (4.5%)	$589,309,264 (9.3%)	$1,117,733,978 (17.7%)
	ED	$1,864,906,980	$19,940,528 (1.1%)	$181,000,965 (9.7%)	$91,784,482 (4.9%)	$355,295,902 (19.1%)
	HHS	$19,574,913,448	$656,808,149 (3.4%)	$1,190,524,366 (6.1%)	$2,239,673,894 (11.4%)	$4,576,575,247 (23.4%)
	HUD	$1,697,197,350	$9,958,532 (0.6%)	$225,933,629 (13.3%)	$67,011,087 (3.9%)	$279,665,707 (16.5%)
	TREAS	$7,228,010,478	$495,185,899 (6.9%)	$482,894,172 (6.7%)	$825,780,174 (11.4%)	$1,002,180,652 (13.9%)
	USDA	$5,281,304,649	$286,033,070 (5.4%)	$324,849,742 (6.2%)	$732,078,680 (13.9%)	$1,113,222,548 (21.1%)
	VA	$17,503,218,907	$2,989,702,911 (17.1%)	$714,257,316 (4.1%)	$1,261,332,471 (7.2%)	$3,698,439,446 (21.1%)
2012	DOC	$2,361,406,667	$93,041,680 (3.9%)	$139,890,360 (5.9%)	$316,642,959 (13.4%)	$369,924,309 (15.7%)
	DHS	$12,409,034,172	$307,475,488 (2.5%)	$799,256,698 (6.4%)	$1,224,746,884 (9.9%)	$2,409,720,036 (19.4%)
	DOI	$4,147,643,054	$44,467,062 (1.1%)	$97,233,196 (2.3%)	$697,039,649 (16.8%)	$1,118,660,592 (27.0%)
	DOD	$361,593,594,294	$19,171,341,588 (5.3%)	$21,448,097,502 (5.9%)	$24,758,239,233 (6.8%)	$62,111,393,731 (17.2%)
	DOE	$25,155,984,021	$2,370,205,294 (9.4%)	$1,468,281,334 (5.8%)	$1,056,646,440 (4.2%)	$1,260,889,900 (5.0%)
	DOJ	$6,648,176,935	$901,336,403 (13.6%)	$380,071,195 (5.7%)	$487,639,677 (7.3%)	$1,363,142,562 (20.5%)
	DOL	$2,014,770,774	$159,514,285 (7.9%)	$135,343,375 (6.7%)	$101,927,100 (5.1%)	$246,582,741 (12.2%)
	DOS	$8,315,467,866	$53,454,888 (0.6%)	$478,842,365 (5.8%)	$721,670,698 (8.7%)	$3,646,548,452 (43.9%)
	DOT	$6,404,053,760	$206,679,561 (3.2%)	$311,055,456 (4.9%)	$702,084,447 (11.0%)	$971,690,730 (15.2%)
	ED	$2,061,985,966	$918,806 (0.0%)	$154,894,411 (7.5%)	$197,721,998 (9.6%)	$352,159,338 (17.1%)
	HHS	$19,238,618,782	$398,632,235 (2.1%)	$1,557,160,577 (8.1%)	$2,880,260,355 (15.0%)	$4,687,013,243 (24.4%)
	HUD	$1,451,823,200	$80,347,664 (5.5%)	$33,700,154 (2.3%)	$182,257,525 (12.6%)	$297,304,988 (20.5%)
	TREAS	$5,911,528,160	$505,106,035 (8.5%)	$450,445,924 (7.6%)	$621,363,425 (10.5%)	$817,306,245 (13.8%)
	USDA	$5,248,763,530	$304,071,951 (5.8%)	$332,975,385 (6.3%)	$699,076,084 (13.3%)	$1,178,881,401 (22.5%)
	VA	$17,285,268,474	$2,495,335,542 (14.4%)	$1,303,860,813 (7.5%)	$1,182,525,441 (6.8%)	$3,307,602,035 (19.1%)

Fiscal Year	Department	Total	October	November	August	September
2013	DOC	$2,298,565,529	$193,709,775 (8.4%)	$82,075,898 (3.6%)	$273,238,263 (11.9%)	$509,541,651 (22.2%)
	DHS	$12,230,567,804	$589,479,567 (4.8%)	$1,360,716,558 (11.1%)	$1,208,787,907 (9.9%)	$2,429,640,659 (19.9%)
	DOI	$3,687,124,139	$21,844,600 (0.6%)	$148,663,378 (4.0%)	$627,152,666 (17.0%)	$962,790,034 (26.1%)
	DOD	$308,242,488,005	$22,742,796,036 (7.4%)	$24,485,720,752 (7.9%)	$22,165,840,927 (7.2%)	$56,406,263,800 (18.3%)
	DOE	$23,954,010,428	$8,005,081,960 (33.4%)	$598,317,428 (2.5%)	$1,199,582,770 (5.0%)	$1,430,564,041 (6.0%)
	DOJ	$7,267,817,297	$1,063,497,250 (14.6%)	$333,896,624 (4.6%)	$736,421,256 (10.1%)	$1,211,767,270 (16.7%)
	DOL	$1,958,350,398	$317,108,145 (16.2%)	$36,898,968 (1.9%)	$97,672,493 (5.0%)	$181,932,367 (9.3%)
	DOS	$7,334,415,105	$90,891,163 (1.2%)	$214,457,398 (2.9%)	$857,767,119 (11.7%)	$2,843,646,433 (38.8%)
	DOT	$6,095,962,285	$237,929,113 (3.9%)	$415,439,590 (6.8%)	$716,426,411 (11.8%)	$906,049,255 (14.9%)
	ED	$2,627,989,210	$13,097,963 (0.5%)	$185,864,139 (7.1%)	$293,523,353 (11.2%)	$365,391,502 (13.9%)
	HHS	$19,973,620,522	$772,044,857 (3.9%)	$770,842,458 (3.9%)	$2,405,105,317 (12.0%)	$5,727,069,754 (28.7%)
	HUD	$1,582,129,780	$2,503,937 (0.2%)	$57,306,621 (3.6%)	$71,692,234 (4.5%)	$142,642,021 (9.0%)
	TREAS	$6,870,628,676	$560,287,387 (8.2%)	$617,818,099 (9.0%)	$514,156,537 (7.5%)	$678,541,852 (9.9%)
	USDA	$5,145,656,679	$391,367,791 (7.6%)	$526,479,728 (10.2%)	$698,223,719 (13.6%)	$861,217,033 (16.7%)
	VA	$18,277,463,787	$2,758,836,858 (15.1%)	$704,382,781 (3.9%)	$1,376,881,471 (7.5%)	$3,755,005,687 (20.5%)

*For these years, DHS had not yet been established. Source: USASpending.gov, Data Archives for Prime Award Spending Data, June 2014

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Changing the Culture of Wasteful Spending in the Federal Workforce

Dean W. Sinclair
September 30, 2015

The U.S. Ambassador to an African nation asked his facility manager to order four flower pots for the embassy; nothing fancy, just four plastic flower pots. He came back and said, on second thought order a truck load of them. There is a lot of money left in the facilities budget and I need to spend it. The facility manager ordered the pots and when they arrived, four of them were placed where they were needed around the embassy compound. The rest were unloaded and placed out of site behind a building where they were left to slowly crumble in the blazing African sun.

This is a true story told to me by the facility manager who was required to buy the flower pots. Is it an anomaly? Is it an isolated case? In my experience, it is unfortunately the norm. When there is money left in a budget at the end of the year, all federal government managers actively seek ways to spend it. They would prefer to spend it on things they need but they <u>will</u> spend it on <u>anything</u>. The Department of State is notorious for spending half its budget in August and September which is the end of the fiscal year.

What would cause otherwise honest and dedicated American citizens, federal workers, to consistently make the most egregiously wasteful spending decisions? These are people who are committed to defending our nation, promoting our interests worldwide, and working tirelessly to manage the behemoth our government has become. When given the decision to waste money at the end of the fiscal year or return it to the Treasury, these loyal Americans will always choose to waste the money. I have heard many of them say they hate the process and they hate themselves for doing it. If this is the case, one must ask why these good people always make the worst decisions regarding surplus funds.

The Incentives

It is all about incentives. If a manager returns money to the Treasury, it will have a negative career impact. Here is a list of three positive incentives to change the culture of wasteful spending in the federal government workforce:

1. Managers who complete their programs within budget should receive a high rating for fiscal responsibility on their annual Employee Evaluation Rating (EER).
    a. Managers who complete their programs under budget and return surplus funds to the Treasury should receive **the highest fiscal responsibility rating** on their EERs.
2. Managers should be given positive public recognition whenever they return unspent funds. This recognition should be documented in their personnel files.
3. Modest monetary bonuses should be given to managers who return funds to the Treasury. Senators Rand Paul and Mark Warner should be commended for adding language about monetary bonuses to the National Defense Authorization Act for FY16.

This issue transcends differences in political ideology because all programs would benefit. **It takes time and effort to waste money.** The cost savings created by this simple culture change could be phenomenal and program managers would be released from the burden of having to waste precious resources at the end of every fiscal year.

Congressional Obstacles

The most frequent objection to these common sense incentives is that whenever a program does not spend its entire budget, it will lose all or some of its budget during the next fiscal cycle. Suffice it to say that under the present system, incentives are in place to actually encourage, almost mandate, the wasteful spending of surplus funds.

There are many legitimate reasons why funds might remain unspent by the end of the year. The habit of Congress using continuing resolutions to "keep the government running" instead of agreeing on a budget, forces all federal managers to use very short-term thinking regarding their budgets. They cannot enter into contracts if they are not sure the funds will be there to support the contract. Short-term continuing resolutions may allow the program to limp along until a final budget is in place but delayed approval of the final budget forces the manager to spend it in a fraction of the time originally planned. Weather delays, inability to perform due to security concerns, and a host of other legitimate problems may prevent the execution of a budget which results in managers having surplus funds at the end of the year. It is at this point the managers are forced to decide whether to spend the money quickly on sometimes needless services and equipment or risk damaging their careers.

Funds returned to the Treasury should be used to reduce the deficit or saved as surplus. They should not be diverted to other programs. A homeless children's program does not want the money it saves diverted to highway construction and the reverse is true as well.

Leadership to Implement Real Culture Change

Culture change is not about reducing or eliminating programs. Authorizing budgets is the responsibility of Congress. This initiative is focused on changing the culture or mindset of the entire federal workforce. It is about creating a culture of responsible financial management for every program. When Lady Bird Johnson promoted a litter free America back in the '60s, our nation's streets and highways were littered with trash and few people thought anything of it. Today there is a stigma prevalent throughout society that littering is a low class thing to do. It will take time and leadership but we can change the culture.

The Office of Personnel Management (OPM) is responsible for setting policy concerning pay, benefits, and incentives for the entire federal government. The OPM should be encouraged to lead the way in implementing these guidelines. It should proactively put incentives in place to encourage federal managers to use their resources effectively and efficiently and return surplus funds to the Treasury.

When the president and the heads of agencies speak, the text of the speech is often given broad distribution throughout the agencies. Key elements of the speeches are quoted by lower level managers as justification for their plans. "We propose this action because it supports the president's or agency head's goal" is a common phrase in government documents. Conserving valuable resources should be a goal for every federal program but people act based on guidance and examples they receive from higher authority. Positive leadership combined with the right incentives will result in changing the culture of wasteful spending by federal employees.

Testimony of Philip G. Joyce

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University of Maryland, School of Public Policy

Before the Subcommittee on Federal Spending Oversight and Emergency Management

Committee on Homeland Security and Governmental Affairs

United States Senate

On

"Prudent Planning or Wasteful Binge? A Look at End of the Year Spending"

September 30, 2015

Chairman Paul, Senator Baldwin and Members of the Subcommittee:

Thank you for asking me to testify today. As someone who has spent more than 30 years practicing and studying budgeting at all levels of government, I can say that the issue of end-of year spending is one that is not peculiar to the federal government, or even particularly to government. Any organization that attempts to control resources by limiting the amount that can be spent in a particular time period is likely to create incentives for behaviors that lead to the acceleration of spending as the period of control draws near. The "use it or or lose it" circumstance that leads to end of year spending is a result of these incentives. Thus, there is little question about whether the phenomenon exists. The question of the extent to which the practice is wasteful is much harder to answer.

My testimony will make four main points:

1. End of year spending is caused by several factors, including prudent budgeting, a desire by agencies to spend the resources that they have been provided and a desire to protect the budgetary base against future reductions.
2. End of year spending is not inherently wasteful, but certainly there are examples of waste that is caused by a desire to spend money quickly before it is lost. Sometimes, however, end of year spending is actually the result of prudent budget planning, because agencies want to be sure that the resources are there before they choose to spend. For the federal government, end of year spending is confined to a relatively small portion of the discretionary portion of the budget; the documented waste in the major entitlement programs overwhelms any credible estimate of waste caused by end of year spending.
3. While end of year spending occurs across all levels of government, the incentives to spend all available resources are particularly present at the federal level because of the uncertainty that is created by the chronic failure of the Congress to enact appropriation bills in a timely fashion. The documented costs of late appropriations are also likely far in excess of any waste that is created by end of year spending.
4. The bottom line is that enacting appropriation bills on time, thus ending or minimizing the routine practice of "government by continuing resolution" would have much more positive effects than reducing end of year spending, while at the same time reducing the incentives of agencies to delay spending until late in the year. There are other reforms

that have been suggested, including allowing agencies to "keep" a portion of otherwise lapsing funds, but there are questions about whether these reforms would actually change spending incentives.

What Causes End of Year Spending?

The federal fiscal year runs from October 1 to September 30th. The majority of appropriated funding is only available for one year, therefore funds must be obligated by the end of September. If they are not, agencies will be unable to access the funds, and instead must rely on the following year's appropriation. In fact, the most significant cause, by some margin, of end of year spending is the simple fact that complying with the laws that govern federal spending and the constraints of the appropriations process necessitates some holding back of funds during the year. The interaction of the Anti-deficiency Act (which prohibits spending without an appropriation) and the anti-impoundment statutes (which require the spending of appropriated funds) creates a situation where agencies must set aside funds to deal with unanticipated expenses. As the end of the fiscal year approaches, the danger of surprises recedes and funds are set free. This kind of end of year spending is simply a byproduct of the availability of funds for a limited time period. Nonetheless, it is true that unobligated funds cannot be carried over into a subsequent fiscal year, which does create a "use it or lose it" situation.

In addition to the fact that agencies must engage in prudent fiscal planning and that the funds will disappear if not used, agencies may choose to accelerate spending at the end of the year in order to avoid a reduction in their base budgets for the following fiscal year. Budget agencies--such as the Office of Management and Budget (OMB) at the federal level--and legislative appropriations committees frequently use not the prior year appropriated level but a prior year spending level in constructing the "base" for future budgets. Thus, the failure to spend the full budget during a given fiscal year has budgetary effects that go beyond the current fiscal year to affect resources available in the future as well. This does create an additional incentive to spend all available resources.

This is not a situation that is peculiar to the federal government. Because virtually all governments operate under fixed budget constraints by fiscal year, the incentives for end of year spending can exist. In fact, the International Monetary Fund has highlighted this as a problematic practice in some other countries, and this phenomenon is often observed at the state and local level. My own employment history includes a five-year stint working in the Illinois executive budget office, and I can tell you that June (the last month of the state fiscal year) was a very busy month as we considered requests by agencies to transfer funds between line items as they attempted to spend all available resources.

How Big a Problem is End-of-Year Spending?

In evaluating the practice of end of year spending, there are two relevant questions. The first is whether end of year spending is a significant phenomenon. The second is how costly or wasteful the practice might be.

On the first point, a look at aggregate spending obtained from the Center on Budget and Policy Priorities suggests that the last quarter and last month of the fiscal year do not appear to result in more spending than other portions of the fiscal year. Data from Monthly Treasury Statements for 29 fiscal years (1986 to 2014) indicates that, on average, 24.8% of outlays occurred in the last quarter of the fiscal year, as opposed to 25.2% in the last quarter if they had occurred evenly throughout the year. September outlays totaled 7.9% of the total, as opposed to 8.2% if they had occurred evenly.[1]

Therefore, in aggregate, there appears to be no increase in the rate of spending at the end of the fiscal year. Looking at all outlays, however, may mask the real phenomenon. That is, end of year spending is not a phenomenon that affects mandatory spending, which (including interest) represents two-thirds of all federal spending. Rather it affects only the discretionary part of the budget; even then, it only occurs in salary and expense accounts. Moreover, a lot of money in salary and expense accounts goes for paying salaries of employees, and the examples of waste that usually surface do not typically involve deciding to hire employees at the end of the year, but rather doing things like entering into contracts, or purchasing physical assets, or sending employees to training. To that end, a 2014 study by the Mercatus Center compared the

[1] Unpublished data obtained from the Center on Budget and Policy Priorities, based on analysis of Monthly Treasury Statement between 1986 and 2014.

percentage of contract expenditures across 15 federal departments in fiscal year 2013. That study found that, across the board, expenditures were significantly higher, as a percentage of total yearly contract expenditures, both in comparison to a constant average but also compared to the prior month. For example, the Department of Health and Human Services spend 29 percent of their contract budget in September, compared to 12 percent in August. In the Department of Veterans Affairs, the numbers were 21 percent and 8 percent; in the Department of Defense, the comparable figures were 18 percent and 7 percent. [2] The significance of this finding is not just in the comparison between the two months, but to the fact that a straight-line monthly average would be 8.3%.

Thus, it certainly does seem that end-of-year spending is a real phenomenon, at least for particular kinds of expenditures. However, the mere fact that spending tends to be back-loaded for these particular types of expenditures does not by itself mean that the spending is wasteful. If agencies are buying things late in the year merely to spend money, or to pad their budgetary base, that is almost the definition of waste. If instead they are managing their funds in an effort to ensure that they live within the budgets they have, and not making choices to spend until they know that the funds are clearly available, that sounds more like prudent management than wasteful spending. It is nonetheless probable that agencies spend money on some things that could not stand close scrutiny. Such spending is not defensible, and should not be defended. If one is to get a handle on the real problem, however, it is important to be clear about the distinction between "end of year" and "wasteful", as the two are not synonymous. The key question here has to do with the quality of spending, not the timing.

In addition, it is important to put end of year spending in context. If one takes the GAO High Risk List as an indicator of the places in the federal budget where the government has significant fiscal exposure, surely the effect of wasteful end of year spending, to the extent that it exists, pales in comparison to the magnitude of many of the items on that list. Consider two of many possible examples. First, GAO has placed IRS tax enforcement on the list, focusing on the $385 billion annual tax gap that could be narrowed by enforcement. Second, Medicare and Medicaid

[2] Jason J. Fichtner and Robert Greene. "Curbing the Surge in Year-End Federal Government Spending: Reforming "Use It or Lose It" Rules." Mercatus Working Paper, Mercatus Center at George Mason University, Arlington, VA, September 2014.

improper payments had an estimated cost of almost $80 billion in fiscal year 2014.[3] Thus, even if there is some waste that occurs from discretionary spending at the end of the year, it is far exceeded by the fiscal exposure on the revenue and mandatory parts of the budget.

It is important to be clear, however, that any spending for the sake of spending, or simply to protect future resources, is not just a squandering of taxpayer money. It also does a lot of damage in terms of the credibility of the federal government and the faith that citizens have in that government. Thus, even though I would argue that end of year spending is not a very important contributor to government waste, it may still be important to determine how to create incentives to reduce the practice.

What Can be Done?

Assuming, then, that the Congress believed that it wanted to curb the practice, what CAN be done? In my opinion, the most important single change to current practice would be to enact appropriation bills on time, in order to create more certainty in the appropriations process. That is, while the motivation for end of year spending is certainly in part the same for the federal government as for other governments (the need to delay spending until funds are available, the desire to make full use of available funds, and an incentive to protect the budgetary base) there is an additional impetus for the practice at the federal level. I believe that the substantial uncertainty that exists from year to year concerning both the timing of appropriations and the level of those appropriations has pushed even more spending to later in the year and has created even more incentives to make use of all available resources in the current fiscal year.

In March of 2013, I testified at a hearing held by the full committee that was inspired by then-Chairman Carper's interest in highlighting the harmful effects of the uncertainty that is caused by the continued delays and dysfunction in the federal appropriations process. I based this testimony on a 2012 report that I had authored, which was itself informed partially by some good work that GAO had done three years earlier.[4] In my testimony, I discussed the apparently

[3] Government Accountability Office, *High Risk Series: An Update*, GAO-15-29d0, February 2015.
[4] Philip Joyce, *The Costs of Budget Uncertainty: Analyzing the Impact of Late Appropriations* (Washington: IBM Center for the Business of Government, 2012); Government Accountability Office

invisible, yet insidious, effects that budget uncertainty creates for both federal agencies and the recipients of government funds. This uncertainly it caused by the practice of limping along from one crisis to another--the "fiscal cliff" debate of 2011 and the government shutdown brinksmanship of 1996, 2013, and this year are the main recent exhibits.

The main point that I made in this previous testimony was that the routine practice of government by continuing resolution is the "new normal", with very harmful and costly effects. I will not repeat my testimony from two years ago in detail, but I will say that the 2015 appropriations debate suggests that NOTHING has improved in those two years that would cause me to change any of my conclusions concerning the effects of budget uncertainty. Specifically, I would highlight a few conclusions that are directly relevant to the topic of this hearing:

1. The failure to enact appropriations on time is not a new problem. Since The 1974 Congressional Budget and Impoundment Control Act, which created the modern congressional budget process, there have only been four fiscal years (out of 40!) when all appropriations bills been passed and signed into law prior to the start of the fiscal year. The problem has only gotten worse, as the numbers of continuing resolutions, and the portion of the fiscal year covered by CRs, has increased over time.
2. While government shutdowns represent costly examples of extreme government dysfunction (OMB estimated that the 2013 shutdown resulted in $2.5 billion to provide pay and benefits for furloughed employees who did not work), it is the routine dysfunction of government by continuing resolution that is most likely to lead to the kind of wasteful spending highlighted by this hearing. Budgeting is about planning for the future. Any organization—whether it is the federal government, a state or local government, or a business—needs to have some notion of the funds that it will have available in order to effectively budget, and manage. The more certainty that exists, the better informed the decisions are, and the more effective the result.
3. For the federal government, late appropriations and "government by CR" have created a number of specific problems.

(2009). *Continuing Resolutions: Uncertainty Limited Management Options and Increased Workload in Selected Agencies*, September.

- There are human capital challenges, including exacerbating skill gaps in crucial areas, and fostering a "brain drain" as many of the best and brightest eschew or depart government service.
- CRs tend to freeze past priorities in place, even when events would dictate a change in programs or policies. For example, the fiscal year 2011 budget delays resulted in DOD needing to raid procurement budgets in the first half of the year in order to fund pay and benefits, resulting in deployed troops not getting needed equipment, the cancellation of 20 ship overhauls by the Navy, and deferred aircraft maintenance.
- Continuing resolutions affect contracting practices in costly and counterproductive ways. This includes the necessity to engage in multiple short-term contracts, thus increasing overhead costs. In addition, late appropriations push many contract renewals to later in the year. This compressed contracting timetable may be the main reason for the Mercatus findings cited earlier in my testimony. Regardless of the reason, however, this rush to contract creates a greater potential to make mistakes, which may lead to wasted funds and adverse audit findings. In addition, delayed contracts may result in higher prices. In one case, the federal Bureau of Prisons (BOP) reported that delays in funding one prison (the McDowell Prison facility in West Virginia) resulted in about $5.4 million in additional costs. It also seems quite likely that many contractors dealing with the federal government include a "risk premium" in the rate that they charge for contractual services, because they cannot negotiate reliable multi-year commitments without fear of funding interruption.
- Investments that are not made—in people (as training is cancelled or deferred) or infrastructure (in the form of deferred maintenance) lead to higher future costs, and compromise the effectiveness of government.
- Agencies waste a great deal of time preparing for potential government shutdowns and CRs, and then complying with them after the fact. Time spent by federal agencies and OMB preparing for a shutdown is a complete waste of time unless the shutdown actually occurs, which (as

noted above) has its own costs. CRs also have accompanying administrative inefficiencies. Agency budget offices and OMB are involved in lots of conversations around budget execution once the CR is law. Many of these discussions are designed to determine what spending is permitted and not permitted—for example, when is something is a continuation of a current activity and when is it something new? There are no precise estimates of the costs of these tasks. GAO reported that VHA estimated that a one- month CR results in over $1 million in lost productivity at VA medical facilities and over $140,000 in additional costs for the VA contracting office.

4. The problems caused by federal budget uncertainty are not limited to federal agencies. Many recipients of federal funds--such as state and local governments and private contractors—are also affected by federal crisis budgeting. Agencies that award grants must decide, if operating on a long-term (more than three months but less than a full year) CR, whether to suspend grant application processes until an appropriation is received or to go ahead with them, pending a final appropriation. In the former case, there may not be enough time available for potential recipients to prepare applications and for agencies to process them in the second half of the year. Therefore, what appears to be a delay may result in a cancellation of the grant program, at least for the current year. A similar story exists for contractors. If contractors believe that an actual shutdown, or contract cancellation, is imminent, they face difficult questions concerning whether or not to continue work, and how long they can afford to keep employees on board.

Ultimately, the greatest impediment to fixing the problem of late appropriations is that their negative consequences seem to be largely invisible. Many of the same people who decry waste in government, however, may themselves be contributing to that waste by failing to provide a predictable funding stream to federal agencies and recipients of federal funds. (I would note that no state of local government would be able to get away with this. Chronic funding delays would result in lowered bond ratings, increased borrowing costs, and likely political fallout.) If appropriations were timely, would lead to better decisions since agencies would not be (at least to the same extent) rushing to make choices on contractors, grants, etc. late in the fiscal year. Therefore, **given all of the negative consequences of late appropriations, the Congress should discharge its most basic responsibility and routinely enact appropriations before the beginning of the fiscal year.** One way to make it more likely that the appropriations process will operate smoothly and predictably would be to curb the process of adding policy riders to appropriation bills. In recent years, the appropriations process has been more likely to be derailed over these riders than by disputes over the level of appropriated funding.

Are there other alternatives that might be pursued to reduce wasteful end of year spending? Certainly Congressional attention to wasteful spending, like the oversight being performed by this subcommittee, can have a chilling effect across the entire government. Another alternative that has been suggested is allowing agencies to keep a portion of the funds that are unobligated at the end of the fiscal year. This was a recommendation that was made in 1993 by Vice-President Al Gore's National Performance Review. The notion was that if an agency had (for example) $100 million that had not been obligated, they would be able to roll over $50 million of that budget authority to the next fiscal year, while the other $50 million would represent savings to the Treasury. This would work in theory, but I would note that if it was to lead to the kinds of effects that are desired, agencies would need to believe that neither OMB nor the Congress would adjust some future budget downward in order to account for the rolled over funds. When the NPR proposed this reform, for example, it was not at all clear whether OMB was on board with changing its behavior.

Conclusion

End of year spending is likely a relatively minor phenomenon, at least in overall dollar terms. It can nonetheless lead to waste in government, which results in a squandering of taxpayer resources and compromises the effectiveness in government. While uncovering wasteful spending is an important function of Congressional oversight, I would suggest that providing a reliable and predictable funding stream for federal agencies would do far more to improve the effectiveness of government AND to curb the practice of end of year spending than an effort to uncover specific instances of waste. In fact, end of year spending practices are an entirely understandable—even reasonable--response to the dysfunction and unpredictability of the appropriations process. The negative impacts of late appropriations—which extend far beyond promoting end of year spending--are unacceptable given the importance of the federal budget to the overall performance of the U.S. economy and the delivery of services to citizens.